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**The Impact of the Psychological Contract on Intention to Leave in the  
Royal New Zealand Navy**

A thesis presented in partial fulfilment of the requirement for the degree of

Master of Business Studies (Management)

at

Massey University, Albany

New Zealand

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2012

## ABSTRACT

Over the last two years, the New Zealand Public Sector has experienced significant organisational change. In particular, the New Zealand Defence Force (NZDF) has instigated a number of reform programmes, most recently the Civilianisation Project. The aim of the Civilianisation Project was to analyse the workforce and identify jobs that were no longer required to be filled by people wearing a uniform. On 28 June 2011, 308 people from the NZDF were informed that they would be released from the service. Since this time, morale and satisfaction are at the lowest point recorded in the last eight years. This has had a dramatic effect on attrition, and since July 2011, NZDF personnel numbers have decreased by 1015 people (a decrease of 10.6%), and at the same time the attrition rate has increased from 10.7% to 21.3% per annum.

The present study sought to examine the employment relationship in the Royal New Zealand Navy (RNZN) utilising the framework of the psychological contract - the system of beliefs and perceptions of obligations between an employee and employer. The primary purpose of this study was to investigate the relationship between relational/transactional orientation of the psychological contract and intention to leave the organisation. The mediating role of affective commitment in employment relations was also examined. Data was collected from 619 members of the RNZN in a cross-sectional survey.

Hypothesis testing was carried out using structural equation modelling. Analysis confirmed that relational contracts have a strong and significant direct impact on intention to leave ( $\gamma = -.752$ ,  $\rho = .000$ ,  $\beta = -.446$ ). The model also supported the path between transactional contracts and affective commitment, demonstrating a particularly strong linkage ( $\gamma = -.719$ ,  $\rho = .000$ ,  $\beta = -.381$ ). A mediating role for affective commitment was also confirmed.

The present study suggests that the psychological contract orientation is both an important predictor of intention to leave, as well as providing a valuable insight into how employees view their career in the Navy. The results of the study suggest that human resource managers in the RNZN should focus on the relational aspects of the psychological contract in order to improve retention. Opportunities for future research include replicating this study across the wider NZDF and New Zealand public sector.

## **ACKNOWLEDGEMENTS**

This thesis would have never gotten past the ‘good idea’ stage if it hadn’t been for the support and assistance of many people.

Firstly, thank you to my supervisor, Dr Darryl Forsyth, and my co-supervisor, Dr Kaye Thorn. Your assistance, guidance, attention to detail, and reviews of long manuscripts were invaluable. Without Darryl’s encouragement I would have never have had the confidence to take on such a large undertaking.

Approval for this research was obtained from the Massey University Human Ethics Committee Albany. I wish to extend my thanks to the committee for taking the time to review my application, and for the valuable feedback they provided.

I am indebted to the Royal New Zealand Navy for permitting this research to go ahead. In particular I would like to thank the Deputy Chief of Navy, Commodore Wayne Burroughs, MNZM, RNZN for granting approval for this study, and my boss, the Maritime Component Commander, Commodore John Martin, ONZM, RNZN for allowing me the time off work to complete this thesis. I would also like to extend my sincere thanks to every one of the 619 sailors and officers who took time out of their busy careers to complete the survey.

It is also important to acknowledge Heather and Vicky, who work in the Naval Base Mail Distribution Office. My sincere thanks to them both for sorting and posting the 1818 questionnaires and ensuring that I received every response in a timely manner.

I would also like to thank my mother, Wendy, for taking the time to conduct one of the final proofs of the overall document.

Finally, I need to thank my wife Rachelle and daughter Victoria. Without their love and support this thesis would never have been completed. Thank you both for your patience, and ability to always put any minor set backs into perspective.

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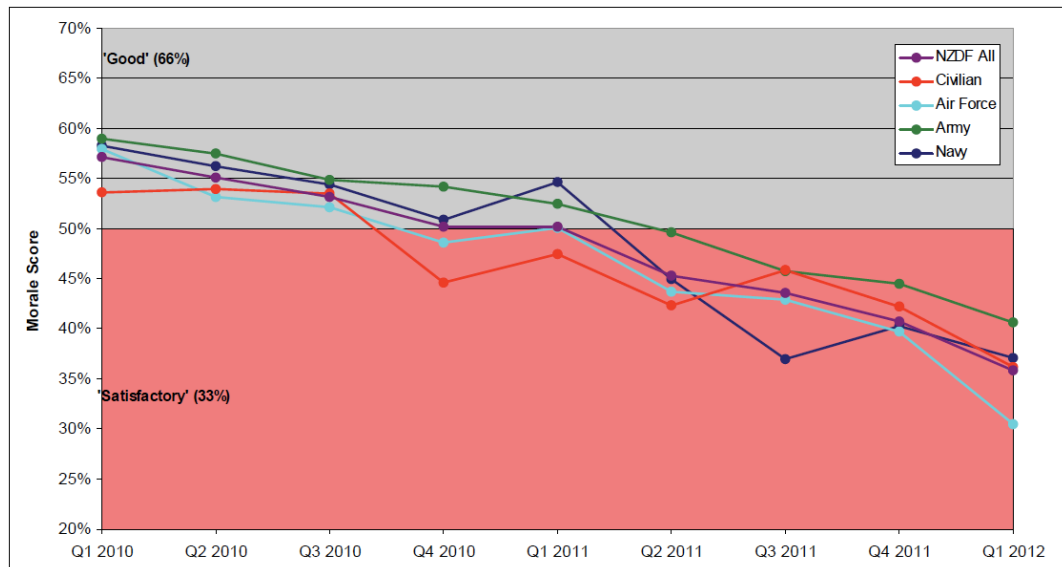
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## CHAPTER 1 – INTRODUCTION

Since the global financial crisis began in 2008 the New Zealand Government has come under increased financial pressure. The National Government has been proactive and required the public sector to cut government spending. This has resulted in a number of reform programmes across most government departments. The NZDF has not been immune, and in an effort to cut government spending has introduced a number of reform programmes. Arguably the most significant of these programmes was the Civilianisation Project.

On 28 June 2011 308 personnel, including 71 from the Royal New Zealand Navy (RNZN), were informed that they would be released from the NZDF (Lieutenant General R. Jones, Chief of Defence Force, personal communication, June 28, 2011). Since this time results from the NZDF Ongoing Attitude Survey have been disturbing. As highlighted in figure 1-1, there has been a dramatic decline in morale since the first quarter of 2010.



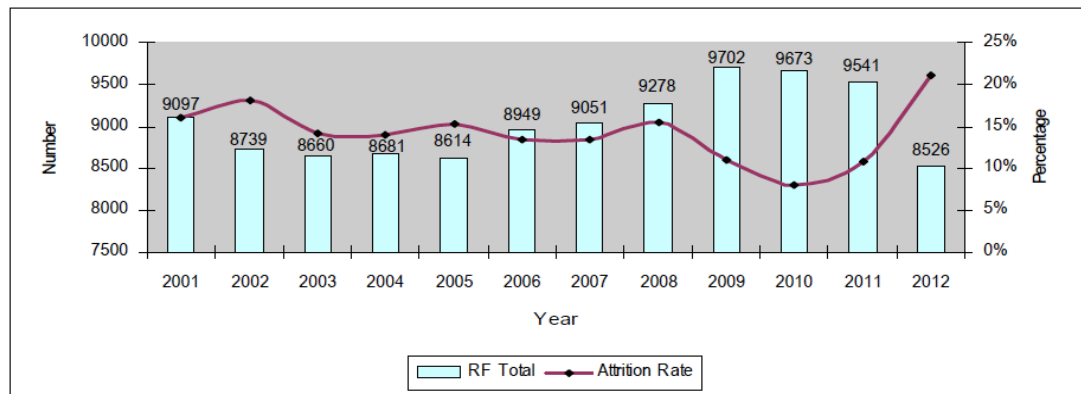
**Figure 1-1. Trends in Morale and Satisfaction (NZDF, 2012b, p. 2)**

There is also a downward trend in engagement, which is expected to have flow on effects in performance and attrition (NZDF, 2011b). Results from the ongoing attitude survey highlight a wide range of dissatisfaction across a range of areas contributing to low morale. This is in line with the willingness-to-serve model (McCone, 1997), in which the metaphor of a brick wall is used to demonstrate the thought of an obstacle in the path of individuals to further military service.

The bricks that make up the wall are representative of an accumulation of negative perceptions or experiences accrued by a person over time. As bricks are added to the

wall, or grow in size, there comes a point when the person can no longer see beyond the wall and will begin to look for alternative employment (Cavana, Boyd, & Taylor, 2007, p. 203).

In the NZDF, there is no shortage of alternative occupations as the military staff have many transferable skills and, therefore, high demand in the private sector. The graph below illustrates that since 30 June 2011, regular force strength in the NZDF has decreased by 1,015 people (a decrease of 10.6%). At the same time the attrition rate has increased from 10.7% to 21.3%.



**Figure 1-2. NZDF Regular Force Attrition by Year (12 Month Rolling Average) (NZDF, 2012a).**

As outlined in the 2011 Quarter 3 Ongoing Attitude Survey Report, “without intervention these trends may negatively impact the NZDF’s ability to deliver on outputs” (NZDF, 2011b, p. 1). The required outputs of the NZDF are detailed in the annual NZDF Output Plan. The Output Plan is the basis for the Terms of Reference agreed upon between the Minister of Defence and the Chief of Defence Force, and provides the output specifications on which those Terms of Reference are based (NZDF, 2011a). The current personnel issues in the NZDF are making it increasingly difficult for the NZDF to meet all agreed contracted outputs.

This particular study focuses on the specific situation in the RNZN. As at October 2012, the RNZN had three ships alongside Devonport Naval Base that could not proceed to sea due to personnel shortages. It is clear that action must be taken in order to intervene and prevent an even further decline in personnel numbers. The question is: where is the most appropriate area of the organisation to dedicate already scarce resources in order to reduce attrition?

On 08 March 2012, the Vice Chief of Defence Force (VCDF), Rear Admiral Jack Steer, appeared before the Foreign Affairs, Defence, and Trade Select Committee, and described the impact of the civilianisation project. In an online article (Campbell, 2012) on 09 March 2012, VCDF is quoted as stating before the select committee that, “It was damaging because our people felt we let them down, that we weren’t looking after them, that we broke the social contract”. What the VCDF is referring to here is the relationship between the employees and the management, or what is often called the ‘psychological contract’. This study seeks to investigate the current retention issues within the RNZN by utilising the framework of the psychological contract. Further details regarding the unique employment relationship in the Navy are provided in Chapter 2.

The concept of the psychological contract can be traced back to the early work of Argyris (1960), Levinson, Price, Munden, and Solley (1962), and Schien (1965). However, without doubt the most influential author in the field is Rousseau. Rousseau’s seminal article, published in 1989, is widely credited with influencing the majority of the more than 100 empirical articles published on the psychological contract in the last 20 years (Conway & Briner, 2009). Rousseau (1989) provided the following definition:

The term psychological contract refers to an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations (p. 123).

Blomme, van Rheede, and Tromp (2010) recently investigated the psychological contract in the hospitality industry, and in particular, the differences in the psychological contract and its relationship with an employee’s intention to leave. From a sample of 247 respondents they found that the content of the psychological contract accounts for a substantial amount of the variance of an employee’s intention to leave. The present study builds on these findings from Blomme and colleagues (2010), and seeks to examine these same constructs within the unique employment environment found in the Navy.

Understanding the unique psychological contract in the RNZN may lead to the identification of the best way to take action in order to prevent a further decline in personnel numbers. The present research investigates the relationship between the content of the psychological contract and an employee’s intention to leave, and the mediating role played by affective commitment.

By understanding the impact that psychological contract has on an employee's intention to leave, it may be possible to begin to understand where things have gone awry, and, more importantly, identify the most appropriate area/s to intervene.

This thesis begins by outlining the concept of the psychological contract based on a comprehensive review of the literature. As a result of the literature review six specific hypotheses were developed. The conceptual model demonstrating the hypothesised relationships between psychological contract, affective commitment, and intention to leave is then presented. The following chapter outlines the method used to test the hypotheses. Results of the hypothesis testing are then presented, followed by the discussion, which includes an outline of the important implications as a result of this study.

## **CHAPTER 2 – PSYCHOLOGICAL CONTRACT THEORY AND HYPOTHESES**

### **2.1 History of the Psychological Contract Concept**

Although the role of the psychological contract in contributing to an understanding of behaviour in organisations can be traced back to Barnard's (1938) theory of equilibrium, and to the inducements-contributions model of March and Simon (1958), the psychological contract concept itself developed in two main phases (Coyle-Shapiro & Parzefall, 2008). The initial period ranges from Menniger (1958) up to, but not including, Rousseau's seminal work published in 1989. The initial period involved intermittent theoretical development, the participation of a number of different disciplines, and almost no practical investigation (Conway & Briner, 2005). In addition, the term psychological contract was used to imply often very different ideas (Conway & Briner, 2009; Roehling, 1997). In contrast, the modern period is rather distinctive, and is characterised by limited theoretical development, yet extensive, mostly quantitative, empirical work (Conway & Briner, 2005). A review of the history of the psychological contract will begin by discussing social exchange theory as the conceptual foundation of psychological contracts.

#### **2.1.1 Social Exchange Theory as a Conceptual Foundation**

Over the past 50 years social exchange theory has become one of the key conceptual paradigms used to explain workplace behaviour (Cropanzano & Mitchell, 2005). It has been suggested that the psychological contract has evolved from social exchange theory (Cullinane & Dundon, 2006), and evidence of social exchange constructs are certainly apparent in the work of Argyris (1960), Levinson et al. (1962), and Schein (1965). The exchange model introduced by Barnard (1938), and modified by March and Simon (1958) hypothesised that individuals exchanged their contributions for certain inducements that the organisation provides. Barnard's theory of equilibrium proposed that employees' continued participation depended on adequate rewards from the organisation. According to Blau (1964) "Social Exchange involves unspecified obligations, the fulfilment of which depends on trust because it cannot be enforced in the absence of a binding contract" (p. 113).

At the core of social exchange theory is the norm of reciprocity (Gouldner, 1960) that obligates individuals to respond positively to favourable treatment received from others (Blau, 1964). Of note, Gouldner (1960) also highlighted the concept of negative reciprocity, which has stronger effects, and implies that "people who want to harm you are also deserving of such harm" (M. Faul, 1999, p. 11). Essentially if one party does not reciprocate, an imbalance emerges between

the contributions of the two parties (Cropanzano & Mitchell, 2005). This suggests that not satisfying obligations will result in employees reciprocating by adjusting their contributions. For example, reducing organisational citizenship behaviour (OCB) and in-role performance (Lub, Bijvank, Bal, Blomme, & Schalk, 2012; Zhao, Wayne, Glibkowski, & Bravo, 2007), lowering commitment or looking for alternative employment (Bal, Chiaburu, & Jansen, 2010; Robinson & Rousseau, 1994).

Gould (1979) argues that a weakness of social exchange models is that they fail to consider the influence of employee expectations on organisational outcomes. Gould (1979) recommends that research attention should focus on operationalising forthcoming expected rewards that an employee may obtain as part of the exchange relationship with the employer. According to Taylor and Tekleab (2004), social exchanges and reciprocity have an important part to play in the psychological contract because mutual obligations, as social exchanges, shape a psychological contract. The psychological contract framework, therefore, appears appropriate to operationalise social exchanges given that it encompasses perceived employee obligations (anticipated inducements) alongside present inducements. This extended focus in theory differentiates psychological contract from social exchange models (Coyle-Shapiro, 2002).

Despite a few exceptions (for example Kotter, 1973), Menniger (1958), Argyris (1960), Levinson et al. (1962), and Schien (1965) are virtually all the research conducted on the psychological contract until Rousseau's (1989) paper (Conway & Briner, 2005). A brief summary of each of these key studies is outlined below.

### **2.1.2 Menniger (1958)**

Although the term 'psychological contract' was not yet coined, the suggestion that relationships may be characterised by implicit exchange was first introduced by Menniger's (1958) analysis of the patient-therapist relationship. In his book *Theory of Psychoanalytic Technique*, Menniger (1958) proposed the idea that relationships are based on a range of interpersonal exchanges, specifically on the explicit and unspoken contract between patient and psychotherapist (Conway & Briner, 2005). He did not, however, use the phrase 'psychological contract' until much later (Conway & Briner, 2009). Menniger suggested that as well as tangible resources, contractual relationships also entail the exchange of intangibles. In addition, the exchange between two parties needs to present mutual satisfaction for the relationship to endure:

In any engagement between two individuals in which a transaction occurs, there is an exchange, a giving and a gain of something by both parties with a consequent meeting of the needs in a reciprocal way, mutual way. When this balance is not achieved, either because one does not need what the other has to offer or because one does not give what

the other needs or because there is a feeling on the part of one that the exchange is not a fair one, the contract tends to break up prematurely (Menninger, 1958, p. 21).

Menninger also outlines how both parties to a contract are influenced by both unconscious and conscious processes. If both parties are satisfied with the exchange, the contract will continue, although Menninger fails to outline exactly what 'satisfied' might mean (Conway & Briner, 2005). Of note, Menninger is recognised as influencing Levinson's et al. (1962) expansion of the concept of the psychological contract (Roehling, 1997).

### **2.1.3 Argyris (1960)**

Argyris (1960), and Levinson et al. (1962) were the first to introduce the psychological contract terminology (Roehling, 1997). Argyris related the psychological contract to the workplace, and used the phrase 'psychological work contract' to explain an unspoken understanding between a foreman and a selection of employees in a United States (US) factory that emerged due to a particular leadership style (Roehling, 1997):

Since the foreman realise that this system will tend to produce optimally under passive leadership, and since the employees agree, a relationship may be hypothesised to evolve between the employees and the foreman which might be called the 'psychological work contract'. The employee will maintain the high production, low grievances etc., if the foreman guarantees and respects the norms of the employee informal culture (i.e., let the employees alone, make certain they make adequate wages, and have secure jobs) (Argyris, 1960, p. 97).

Argyris (1960) thought that employees and their employers formed psychological contracts that enabled the expression and satisfaction of each other's needs. To put it slightly differently, if employees felt that their employer was looking after their best interests, then employees would also respect the right of organisations to evolve (Conway & Briner, 2005).

He did note, however, that the employer might not always approve of the behaviour and cultural norms of employees, and proposed that it was not in an organisation's best interests to confront such behaviour or norms, as this would risk the notion that employees would respond by reducing output. He also made the observation that both employer and employee sometimes ignore the other's undesirable behaviour in order to ensure the success of the ongoing relationship (Conway & Briner, 2005).

#### **2.1.4 Levinson, Price, Munden, and Solley (1962)**

Levinson et al. (1962) are credited with taking the concept to its next stage of development by defining it as: “A series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other” (p. 21).

The work of Levinson et al. (1962) is recognised for making the greatest contribution to the early research. For Argyris and Schein, the psychological contract is proposed to explain the employment relationship, but neither offer a definition or an explanation of how psychological contracts can be formed in their research (Conway & Briner, 2005). Levinson and colleagues differ from the other early research in that they produced an entire book titled *Men, Management, and Mental Health* dedicated to using the psychological contract to enhance understanding of the welfare of employees (Conway & Briner, 2009).

Levinson et al.’s (1962) thoughts about psychological contracts evolved from research funded by the Menniger Foundation in which 874 employees at a US utility plant were interviewed in order to examine the result of work experience on mental health. They noted that employees spoke in terms of expectations, and that these expectations appeared to have an obligatory quality, “as if the company were duty bound to fulfil them” (p. 20). Their findings outline the role of reciprocity and the consequence of the anticipated satisfaction of expectations. The prominence of the satisfaction of needs formed a relationship in which employees would try to satisfy the needs of the employer if the employer fulfilled the needs of employees. The outcome of this is that the employee and the employer have strong expectations of each other, and it is the expectation of fulfilling those needs that motivated the employee and the organisation to continue the employment relationship (Conway & Briner, 2005; Coyle-Shapiro & Parzefall, 2008).

Taylor and Tekleab (2004) note that the work of Levinson et al. (1962) contributed to the development of the construct by outlining that the two parties to the contract are the individual employee and the organisation represented by managers. They also stated the underlying motivation for the contract’s formation is based on each parties desire to satisfy a set of expectations that could not be realised without the co-operation of the other. Furthermore they emphasised that reciprocity plays a vital role in the daily unfolding psychological contract between the individual and the organisation, and that the psychological contract covers complex issues. Finally the work of Levinson et al. (1962) was the first to suggest that the psychological contract is forever evolving where changes to expectations are negotiated over time.



Many of the theories presented by Levinson et al. (1962) are comparable to the more contemporary ideas (Roehling, 1997). According to Conway and Briner (2005) “their analysis is remarkably insightful and provides a rich conceptualisation of the psychological contract” (p. 10).

### **2.1.5 Schein (1965)**

The next key piece of research on psychological contract is outlined in Schein’s 1965 text *Organisational Psychology* (Conway & Briner, 2005). Building upon the earlier research from Argyris (1960) and Levinson et al. (1962), Schein (1965) states that:

The notion of the psychological contract implies that the individual has a variety of expectations of the organisation and that the organisation has a variety of expectations of him. These expectations not only cover how much work is to be performed for how much pay, but also involve the whole pattern of rights, privileges, and obligations between worker and organisations... Expectations such as these are not written into any formal agreement between employer and organisation, yet they operate powerfully as determinants of behaviour (p. 11).

Schein (1965) advocated that the psychological contract was continuously re-negotiated “unfolding through mutual influence and mutual bargaining to establish a workable psychological contract” (p. 65). Schein (1965) proposed the psychological contract as an important way of examining the employment relationship:

It is my central hypothesis that whether people work effectively, whether they generate commitment, loyalty, and enthusiasm for the organisation and its goals, and whether they obtain satisfaction from their work, depends to a large measure on two conditions: 1. The degree to which their own expectations of what the organisation will provide to them and what they owe the organisation in return matches what the organisations expectations are of what it will give and get in return. 2. The nature of what is actually to be exchanged (assuming there is some agreement) – money in exchange for time at work; social need satisfaction and security in exchange for hard work and loyalty; opportunities for self-actualisation and challenging work in exchange for high productivity, high quality work, and creative effort in the service of organisational goals; or various combinations of these and other things (p. 99).

Schein (1965) also emphasised the need to understand both the employee’s and the organisation’s perspective. In addition, he outlined methods, which would enable the employer to express the type of psychological contract it wished to develop (Coyle-Shapiro & Parzefall, 2008). Schein’s book presents the theory that labour unrest, employee dissatisfaction and

worker alienation comes from violations of the psychological contract regarding questions such as fair pay, working hours, and employment conditions (Cullinane & Dundon, 2006).

### **2.1.6 Other Early Writing and Research**

As previously mentioned, there has been little empirical research to test any of the above conceptualisations of the psychological contract. The notable exceptions are Kotter (1973) and Portwood and Miller (1976). Kotter gathered data using an eight-page questionnaire from 90 MIT Sloan School of Management master's graduates and Sloan Fellows. At the core of this research was the concept of the psychological contract (Kotter, 1973) suggesting that the better employee and employer expectations were matched, the more likely employees are to report job satisfaction, productivity, and reduced turnover.

Based on the conceptualisation of the psychological contract from Levinson et al. (1962), Portwood and Miller (1976) conducted a longitudinal study of 82 retail clerks from an America Midwestern retail chain. They found that job satisfaction was positively correlated with the measure they utilised for organisational contract compliance.

### **2.1.7 Summary**

It is generally accepted that Argyris (1960) had the narrowest view of the psychological contract in terms of its focus on tangible resources. In contrast, Levinson et al. (1962) and Schein (1965) conceptualised the content of the psychological contract as incorporating both tangible and intangible aspects (Coyle-Shapiro & Parzefall, 2008). Also important is that while Schein (1965) and Levinson et al. (1962) both considered the psychological contract to be based on expectations, Levinson et al. (1962) went further and observed that these expectations had an obligatory aspect where both the employee and employer consider the other is obliged to fulfil those expectations (Conway & Briner, 2005).

In summary, the initial period of psychological contract involved intermittent theoretical development, and notwithstanding the two exceptions mentioned above, there was almost no empirical research (Taylor & Tekleab, 2004). According to Conway and Briner (2009) this lack of empirical research is startling and potentially indicates that Argyris, Schien, and Levinson's attempts to conceptualise the psychological contract lacked precision, leading to ambiguity regarding what 'beliefs' (e.g. expectations, obligations, or needs) were incorporated into the psychological contract. What is clear is that despite the conceptual underpinning, few researchers were prepared to build on this foundation (Conway & Briner, 2009).

## **2.2 Rousseau's Seminal Work: The Marking of a Transition**

Rousseau's (1989) seminal work on psychological contracts is widely recognised as signalling a transition from the early conceptualisation to the more recent developments (Conway & Briner, 2005; Coyle-Shapiro & Conway, 2005; Roehling, 1997), and to what is now considered contemporary research (Coyle-Shapiro & Parzefall, 2008). Since Rousseau's article (1989), well over a hundred articles have been published on the psychological contract indicating that the concept has now reached a more mature stage of development (Conway & Briner, 2005). Rousseau (1989) added clarity and accuracy to what she referred to as a previously vaguely defined concept. Nearly all of the multitudes of psychological contract articles published since 1989 have used her definition (Conway & Briner, 2009). Rousseau's work differs from previous conceptualisations of the psychological contract in two key areas - a focus on the individual level versus the level of the relationship, and a shift from a focus on expectations to obligations (Coyle-Shapiro & Kessler, 2000; Coyle-Shapiro & Parzefall, 2008; Roehling, 1997).

According to Rousseau (1989), the psychological contract is defined by the individual, and is best understood from an individual-level subjective phenomenon "existing in the eye of the beholder" (p. 123). The psychological contract is the lens through which individuals judge the actions of their employer (C. Lee, Liu, Rousseau, Hui, & Chen, 2011). This approach highlights the need for Human Resource (HR) managers to appreciate the subjective interpretations employees' may hold of the employment relationship (De Vos & Meganck, 2008). This differs from the work of Schein (1965) who placed emphasis on matching expectations between employee and employer. Rousseau (1989) downplayed the significance of the employer and employee having matched expectations, and instead focused on the individual's perception of an agreement (Coyle-Shapiro & Parzefall, 2008). This idea puts the concept of the psychological contract firmly in the mind of the employee alone (Herriot, Manning, & Kidd, 1997) and placed a greater focus on what an employee contributed to a relationship, as opposed to previous definitions that emphasised an agreed exchange between the employee and the employer (Coyle-Shapiro & Parzefall, 2008).

Rousseau (1989) argued that it was this individual level of analysis that determined employee attitudes and behaviour, as opposed to the more complex interactions between employee and organisation suggested by previous conceptualisations (Conway & Briner, 2009). For Rousseau, whether or not an employee and employer actually agreed about reciprocal promises was not seen as important (Conway & Briner, 2009).

The key result of this move to the individual subjective level is that almost all the subsequent literature has focused on the employee's, rather than the organisation's perspective, concentrating on the understanding of explicit and implicit promises concerning employee contributions in terms of effort, loyalty and organisational inducements such as pay, promotion and job security (Conway & Briner, 2009; Cullinane & Dundon, 2006; Wolfe Morrison & Robinson, 1997). Rather than being formed by a deeper-level motive such as needs, Rousseau believes that it is first and foremost an individual's perception of apparent behaviour that constitutes the psychological contract (Conway & Briner, 2005). This is based on the individual's and the organisation's actions in terms of explicit verbal or written promises or implicit promises that come about from regular and repeated patterns of behaviour by the parties to the contract (Conway & Briner, 2005).

As Conway and Briner (2005) point out, while previous investigations had highlighted expectations, Rousseau defined the psychological contract in terms of obligations. However Rousseau's conceptualisation focuses on a particular kind of obligation - those that are based on perceived promises. Rousseau (1989) describes psychological contracts as involving "an individual's belief that a promise of future return has been made, a consideration or return has been offered (and accepted), and an obligation of future benefit exists" (p. 126). Rousseau (1990) elaborates this idea further and states "psychological contracts differ from the more general idea of expectations in that contracts are promissory and reciprocal" (p. 309). Rousseau (1989) claims that obligations are based on perceived promises between the two parties, where a promise is outlined as any communication of future intent. The key issue is that these perceived promises are binding on both parties to a set of reciprocal obligations (Rousseau, 1989).

The concept of obligations based on promises is different from every conceptualisation of the psychological contract that came prior. For example, Levinson et al.'s (1962) stance is that expectations arise from needs (Coyle-Shapiro & Parzefall, 2008). No one prior to Rousseau (1989) had proposed that perceived promises were the foundation for the beliefs that comprise the psychological contract (Roehling, 1997).

As Rousseau (1989) emphasises perceived promises, the ability for the organisation to manipulate the individual's psychological contract through explicit and implicit signals is more significant (Coyle-Shapiro & Parzefall, 2008). As Rousseau (1989) makes clear, the more stable and reliable the organisation's requests and promises, the more likely the individual will form a consistent understanding of his or her obligations and entitlements. According to Rousseau (1989): "The longer the relationship endures, with repeated cycles of contribution and

reciprocity, the deeper the relationship the employee perceives and the broader the array of contributions and inducements that might be involved” (p. 125).

Undoubtedly Rousseau’s research (e.g. 1989, 1990, 1995, 2001) has made the greatest contribution to the development of the psychological contract and has inspired more research on psychological contracts since 1989 than any other time in its history (Cullinane & Dundon, 2006; Taylor & Tekleab, 2004). Rousseau’s (1989) article signified a fundamental alteration in understanding the meaning and functioning of the psychological contract, and perhaps, more importantly, how this new found understanding could guide future research and our understanding of the employment relationship, and how that relationship functions on a day-to-day basis (Conway & Briner, 2005; Taylor & Tekleab, 2004). As a result, there is now a vast array of knowledge concerning the implications and outcomes of unmet and unspecified expectations and obligations (Cullinane & Dundon, 2006).

### **2.3 Contemporary Approaches to Defining the Psychological Contract**

Despite many attempts, even today the construct of the psychological contract lacks an agreed definition (N. Anderson & Schalk, 1999; Cable, 2010); however the most commonly used definition in contemporary psychological contract research (Conway & Briner, 2009), and the definition that is used to substantiate the basis of this research, is from Rousseau’s (1995) book: “The psychological contract is individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between the individual and their organisation” (p. 9). Important aspects of Rousseau’s conceptualisation will now be elaborated further.

#### **2.3.1 The Subjective Nature of Psychological Contracts**

By definition, the psychological contract is an individual perception (Rousseau & Tijoriwala, 1998). Additional considerations are that the psychological contract is subjective due to the numerous sources of information that may contribute to the development and alteration of contracts (Bankins, 2011). Furthermore, both parties do not have to agree for one party to believe that the contract exists (Robinson, 1996; Robinson & Rousseau, 1994; Rousseau & McLean Parks, 1993; Wolfe Morrison & Robinson, 1997). Because of this, the individual is the direct source of information regarding the contract. In addition, it is the perception of mutuality, and not actual mutuality that forms the basis of the psychological contract.

It is also important to emphasise that the psychological contract is founded on a subjective view of common reciprocal obligations, and unlike the concept of expectations, the psychological contract is based on a belief of what the “employer is obliged to provide, based on perceived promises of reciprocal exchange” (Robinson & Rousseau, 1994, p. 246).

### **2.3.2 The Function of the Psychological Contract**

The formation of a psychological contract reduces uncertainty in the employment relationship. Despite the fact that the majority of employment contracts are rather comprehensive, no written employment contract can cover all aspects of the employment relationship. The psychological contract therefore reduces uncertainty by determining the unwritten terms of an employment agreement (Coyle-Shapiro & Parzefall, 2008). By reducing uncertainty, employees feel an increased sense of security that they have an understood agreement (Shore & Tetrick, 1994). As employees perceive consistency, they are likely to reduce their information seeking efforts regarding the psychological contract and the employment relationship is likely to become more stable (C. Lee et al., 2011).

Psychological contracts also allow individuals to feel that they have the power to influence their own success or failure. Since employees are party to the contract, and have agreed to the terms, it is their choice as to whether or not to carry out the obligations (Shore & Tetrick, 1994).

The psychological contract provides a mechanism for appreciating the true reality within an employment relationship as well as understanding the principle of trade off. According to Morrison (1994) individuals build up expectations by perceiving and remembering what happens:

Contracts are created from what people do, not from what they say they will do or what someone says they should do. For this reason the psychological contract is more a reality than are the formal policies. In fact, it is the reality as opposed to what someone says reality should be (p. 5.).

At the heart of the psychological contract is the principle of trade-off. If an individual works hard to contribute to the success of an organisation, the organisation in turn then owes payment to the individual for their contribution. Payment may include money, power, social benefits, and job security (C. Lee et al., 2011; Rousseau, 1995). In addition, if employees perceive a favourable psychological contract, they will likely become more engaged in their work and motivated to contribute to organisational success (Bal, De Lange, Jansen, & Van Der Velde, 2008).

### **2.3.3 Parties to the Psychological Contract**

The above psychological contract definition refers to an employee's perception of their relationship with their organisation. The employee, as one of the parties to the contract, is, of course, easy to identify. However, there has been much debate regarding the meaning of the organisation in psychological contract definitions. In small establishments, it is relatively

straightforward to establish who represents the employer within the contract, but it is more complex when we consider larger organisations (Conway & Briner, 2009). The two issues this literature review will now consider are who represents the organisation as the other party to the contract, and whether organisations actually hold psychological contracts with employees.

Researchers have argued that employees combine all the various psychological contract indicators from principals, agents, and activities from individuals who represent the organisation (Conway & Briner, 2009). In other words, employees view the organisation as being represented by their overall view of the actions of agents from the organisation (Conway & Briner, 2005). Based predominantly on the early writing by Levinson et al. (1962), by accumulating all views from the organisation's various agents, it is proposed that employees give the organisation human qualities, capable of reciprocation. This progression is known as anthropomorphizing the organisation in order to arrive at a view of the organisation as if it were a coherent single entity (Levinson et al., 1962; Morrison and Robinson, 1997; Sims, 1994). The result is that, in the eyes of the employee, the organisation becomes capable of taking on human qualities such as being caring, trustworthy or generous (Conway & Briner, 2005).

The majority of research to date has focused on the employee perspective with little investigation regarding the organisational perspective (Guest & Conway, 2002), and the bulk of this existing research utilises Rousseau's emphasis on the individual employee, presuming that individuals distinguish the organisation, via the development of anthropomorphising, as a single entity (Conway & Briner, 2009). There are of course a number of issues with this approach. By emphasising that the psychological contract is based on the individual perception of the employee, Rousseau has often implied that any difference between the employees and the organisations perception is the fault of the organisation (Pearce, 1998).

Another important consideration is the question of whether or not a psychological contract can indeed be considered contractual at all. Given the subjective nature of the psychological contract (Rousseau, 2011) and the notion that it lies only in the head of the individual, there is doubt as to how it can be considered contractual (Boxall & Purcell, 2003).

#### **2.3.4 How does the Psychological Contract Change Over Time**

Unlike a formal employment agreement, the psychological contract is not made once and fixed for the duration of that agreement, but rather it is constantly evolving throughout an employee's term with a given employer (Rousseau & McLean Parks, 1993). In theory, the longer the employment relationship endures the more stable the psychological contract becomes. Stability encourages goal-orientated behaviour without the need for time consuming management oversight (Rousseau, 2011). In a sample of 224 graduating MBA students who had recently

accepted job offers, Rousseau (1990) found that employees initially developed psychological contracts during the employment process, however the content of the contract was related to the type of relationship the new recruit sought with the organisation. Employees, using their current role as a springboard, highlighted short-term financial reward in exchange for hard work. Those in search of long-term employment with their employer emphasised job security in exchange for loyalty. In a longitudinal study of the same MBA students, Robinson et al. (1994) found that during their first two years of employment, employees perceived that they owed less to their employers, while seeing their employers as owing them more. A key limitation of both of these studies is that it is based on MBA students and therefore it could be argued that it is difficult to generalise the findings beyond that population.

### **2.3.5 The Influence of the Organisation on the Psychological Contract**

There is limited consensus among academics regarding the degree to which psychological contracts are influenced by organisations (Conway & Briner, 2009). This remains a key weakness in defining the psychological contract. For example, to what extent is the psychological contract shaped by factors outside of the organisation's control (Conway & Briner, 2005), and to what extent is the psychological contract a direct reflection of the promises and obligations perceived as a direct result of an organisation's actions? The work from Levinson et al. (1962) and Schein (1965) emphasised the role that an individual's 'needs' play in forming a psychological contract, however more recent definitions, influenced by Rousseau, underline the importance of the organisation in shaping psychological contracts (Roehling, 1997). Research has shown that individual's expectations regarding their psychological contract emerge from two key areas - their relationship with organisational agents, and their perceptions of organisational culture (Turnley & Feldman, 1999). Past research has found that psychological contracts develop out of the perception that an individual has regarding what they have been promised by the organisation, and what they are obligated to give the organisation in return (Lester, Turnley, Bloodgood, & Bolino, 2002). A key task for management is to match what they say to what they do. Failing to do so is indicative of failing to meet expectations, which has a number of negative implications for the organisation's performance (Grant, 1999). The initial psychological contract is a product of the individual's personal, work, and family history, in addition to the cues the employee receives during recruitment (C. Lee et al., 2011). Over time a far more elaborate representation is developed, in which employees begin to understand what the employer is obligated to provide them, and what they owe in return (C. Lee et al., 2011).

Shore and Tetrick (1994) claim that the overall objectives of the organisation should also be a factor that influences the type of psychological contract employees are likely to develop:



Organisations facing a great deal of competition for their services or products may seek to establish more transactionally orientated contracts of short duration, consistent with a goal to be flexible and responsive to a changing environment. In contrast, organisations that have a goal of building strong customer relations may opt for more open-ended relational contracts of longer duration (p. 101).

The key question that remains unanswered (Conway & Briner, 2009) is do psychological contracts develop from the explicit contractual behaviour from an employer, or, given the subjective nature of the concept, do they arise from more unconscious processes? Despite this, given that Rousseau and colleagues often use terms such as ‘shaping’, we can assume that the majority of modern researchers believe that the organisation has a role to play, although this is likely to be only one of many influences, reflecting the subjective nature of the concept (Conway & Briner, 2009).

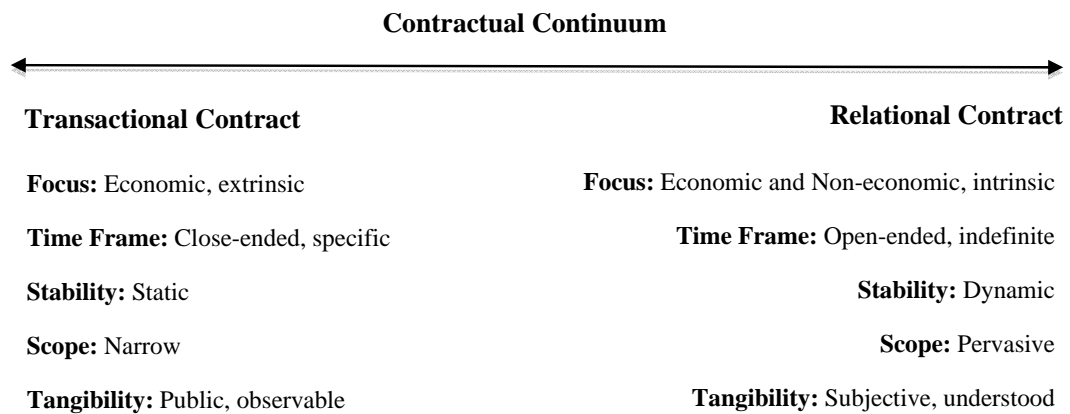
#### **2.4 The Contents of the Psychological Contract**

The contents of the psychological contract can be defined as “expectations of what the employee feels she or he owes and is owed in turn by the organisation” (Rousseau, 1990, p. 393). Given the subjective nature of psychological contracts, the term contents does not refer to what is actually exchanged, but rather the perception that there has been a promise for the exchange of something an employee does for the organisation, in return for something the employee will receive from the employer (Conway & Briner, 2005). A number of researchers have endeavoured to classify psychological contract items (Coyle-Shapiro & Parzefall, 2008). Without doubt, the most widely used way of categorising contents has been the transactional/relational distinction (Conway & Briner, 2009).

Macneil (1985) was the first to introduce the notion of these two different contract types. Transactional contracts are defined in terms of specific financial exchanges, with emphasis on a short-term outlook, and an absence of any long-term commitment. In contrast, relational contracts focus on long-term, less detailed agreements founded on trust and organisational commitment, and often include an emphasis on training and development and a long-term career path (Alcover, Martinez-Inigo, & Chambel, 2012; Coyle-Shapiro & Parzefall, 2008; Robinson, Kraatz, & Rousseau, 1994).

Unlike transactional contracts, relational contracts are frequently active rather than fixed in time, and entail both inferred and explicit promises, based on past patterns of behaviour and observed exchange (Rousseau, 1989). This is important as employee perceptions are influenced on the basis of whether or not they desire a transactional or relational psychological contract (Krivokapic-Skoko, O'Neill, & Dowell, 2009; Rousseau, 1990).

Initially Rousseau and many others (e.g. Rousseau, 1989, 1995; Rousseau & McLean Parks, 1993; Rousseau & Wade - Benzoni, 1994; Shore & Tetrick, 1994) viewed psychological contracts as existing on a continuum ranging from transactional to relational, such that the psychological contract can become more relational and less transactional and vice versa (Coyle-Shapiro & Parzefall, 2008). Rousseau's (1990) description of transactional and relational obligations is expressed diagrammatically in Figure 2-1.



**Figure 2-1. Contractual Continuum (Rousseau, 1990, p. 390)**

However, subsequent research found that the list of psychological contract items separate into two independent factors (e.g. Coyle-Shapiro & Kessler, 2000), and it is now generally accepted that the two contract types do not lie on a single continuum, but instead transactional and relational contracts should be considered distinct dimensions that can fluctuate independently of one another (Conway & Briner, 2005; Taylor & Tekleab, 2004). This revised position makes theoretical sense, as, on the face of it, it seems feasible that an employment relationship could have high or low levels of both transactional and relational components (Conway & Briner, 2005). The two separate dimensions have been used to explain the nature of psychological contracts in a number of different investigations ( for e.g. Alcover et al., 2012; Cavanaugh & Noe, 1999; Guzzo, Noonan, & Elron, 1994; Robinson & Wolfe Morrison, 1995).

Transactional contracts can be separated by their focus, time frame, stability, scope and tangibility (Coyle-Shapiro & Parzefall, 2008). Table 2-1 outlines a comparison between transactional and relational contracts.

**Table 2-1. Comparing Transactional and Relational Contracts**

	<b>Transactional psychological contracts</b>	<b>Relational psychological contracts</b>
<b>Time frame</b>	Short-term, time-bounded promises	Long-term, open-ended promises
<b>Degree of specificity</b>	Highly specified	Loosely specified, amorphous
<b>Resources exchanged</b>	Tangible, having a monetary value	Intangible, likely to be socio-emotional
<b>Explicitness of promises</b>	Explicit	Implicit
<b>Negotiation</b>	Likely to be explicit and require formal agreement by both parties	Implicit and unlikely to involve actual agreement by both parties
<b>Example</b>	Pay in exchange for number of hours worked	Job security in exchange for employee loyalty

(Conway & Briner, 2005, p. 44)

Millward and Hopkins (1998) describe the distinction between the two types of contract as follows:

Under a relational contract, the locus of responsibility is on the employer. That is, employees will remain loyal in return for job security, valuing per se their relationship with the employer... Under the relational psychological contract, it is further proposed that employees come to identify with the organisation through promotion from within, mentoring, and socialisation (p. 1532).

In a relational contract, employees are less concerned about immediate repayment. However transactional exchange is characterised by quid pro quo norms with both employee and employer expecting instant compensation for their contributions. This suggests that employees will be more on guard regarding contract fulfilment in a transactional contract (Wolfe Morrison & Robinson, 1997).

This distinction between transactional and relational contracts has been used to create scales to measure the broad content of the psychological contract (Coyle-Shapiro & Kessler, 2000). Despite this, the transactional/relational distinction has not been the only set of dimensions used to explain the contents of psychological contracts. McLean Parks, Kidder, and Gallagher (1999)

proposed classifying the psychological contract based on the features of the contracts themselves. They argued that the dimensions of the psychological contract, as opposed to the content of these contracts, have greater external validity across various types of work arrangements as well as different cultures. Limited research has been done using the measures proposed by McLean Parks et al. (1999), however their measure has been found to demonstrate low internal reliability (Taylor & Tekleab, 2004).

The majority of psychological contract content research to date has focused on the transactional/relational distinction (Conway & Briner, 2009). Examples include Coyle-Shapiro and Kessler (2000), De Cuyper and De Witte (2006), Grimmer and Oddy (2007), Hui, Lee, and Rousseau (2004), Millward and Hopkins (1998), Raja, Johns, and Ntalianis (2004), Robinson et al. (1994), and Robinson and Rousseau (1994). Findings such as those from Millward and Hopkins (1998) provide continued evidence for the distinction between the transactional/relational divide.

So why is this transactional/relational distinction important? Rousseau (1990) found that relational psychological contracts were positively correlated with the length of time an employee had been with the organisation. Additionally, given that transactional contracts focus on finite, financially based exchanges, with little emotional investment over a short period of time, transactional contracts are assumed, and have been found to relate to careerist attitudes. That is, new recruits who perceive transactional contracts only view their current role as a stepping-stone to the next organisation (Taylor & Tekleab, 2004). Moreover, Robinson et al. (1994) found that employment relationships are becoming increasingly more transactional. Other findings suggest that the longer the employment relationship endures, the more relational it is likely to become (Herriot & Pemberton, 1996). Millward and Hopkins (1998) found that those in executive jobs were more relational in their orientation than those with non-executive and skilled manual jobs, who in comparison were more transactional in their orientation. Perhaps more important than anything else is the finding from Moorman (1991), which suggested that the violation of a relational contract is likely to result in the wronged employee withdrawing their desire to go the extra mile. More contemporary research has found that transactional and relational contract breach motivate different forms of counterproductive work behaviour (Jensen, Opland, & Ryan, 2010). In summary, research has demonstrated that the orientation of the psychological contract is related to performance, motivation, absenteeism, commitment, satisfaction, intention to quit, among many other outcome variables (Alcover et al., 2012; Rousseau, 1995).

Managing the psychological contract is arguably a core task of management (Guest & Conway, 2002). Coyle-Shapiro and Kessler (2000) go further and state that their findings suggest that

organisations must find ways to understand their employees' perceptions of the content of their psychological contract, and once known, take steps to alter this content where conditions allow. However, as Wellin (2007) has highlighted, research and examination of successful management of psychological contracts has been very limited. Atkinson (2002) found that employees still appear to desire a relational psychological contract. Atkinson (2002) even suggested that in the future successful organisations should manage using relational contracts, which emphasise ongoing training and personnel development, in addition to offering loyalty to employees based on job performance. This approach would meet both parties' needs by placing less emphasis on paternalism in career management, and focusing on providing employees with the tools required to manage their own careers, such as promoting lifelong learning (C. Atkinson, 2002).

It has been highlighted that 'trust' is an important element addressed by the psychological contract. This raises the question of 'how do we build trust'? The answer lies in managing the components of the psychological contract (Morrison, 1994). Conway and Briner (2005) propose that the contents of psychological contracts can be managed through either implementing change, communicating new promises, and through negotiation – or a combination of all three.

## **2.5 Factors that Shape Employee Perceptions of the Psychological Contract**

### **2.5.1 Factors Outside the Organisation**

Research suggests that a number of different sources, including both formal and informal, influence the development of psychological contracts (Rousseau, 2011). For example, prior to an employee being recruited, that individual would have already formed a perception of potential expectations and obligations from a variety of sources including the media, friends and family, and pre-employment work related experiences. In addition, experiences gained from belonging to other institutions that communicate psychological contracts such as schools would also contribute to any preconceived ideas regarding a potential psychological contract (Shore & Tetrick, 1994). Pugh, Skarlicki and Passell (2003) investigated the relationship between psychological contract violation by a previous employer, and the effect such a violation had on an individual's approach towards a new employer. In a sample of 141 men and women who had recently been laid off, they found that psychological contract violation by a previous organisation is likely to influence the level of trust and cynicism towards a future employer.

An additional set of factors relate to experiences outside an organisational environment where events such as marriage, parenthood, relationship problems, amongst many others, influence an employee's ability to contribute at work, as well as changing their expectations about what they wish to achieve from working (Conway & Briner, 2009). Evidence of this phenomenon is found

in Millward's (2006) longitudinal qualitative analysis of 10 women during maternity leave. Millward (2006) found that on returning to work, women felt that their new needs as mothers were ignored, and appeared to deal with this by realigning their priorities to 'mothers who work' rather than as dedicated valued employees with openly appreciated maternal responsibilities. This change of priorities may lead to a situation where, due to disillusionment during efforts to reintegrate, some respond by reducing their overall level of dedication towards their organisation (Millward, 2006). Although there has been little research in this area (Conway & Briner, 2009), it could be hypothesised that other life changing events such as getting married, or taking on a mortgage would also influence the content of the psychological contract held by employees. According to Rousseau (1995):

Personal development, maturation, aging, and the contract's duration can alter a psychological contract. A company priding itself on its employee benefit package can find that the mix of health care and retirement benefits that satisfied employees when most were young and single may be woefully inadequate once many of them have married and started families (p. 143).

Bal, De Lange, Jansen, and Van Der Velde (2008) completed a meta-analysis of 60 studies and found that age moderated the relationship between psychological contract breach and negative levels of trust and organisational commitment. As a result, Bal et al. (2008) have suggested that specific types of psychological contract may be age related. If different age groups do have distinct expectations from employers, it could be hypothesised that different generations would score differently for certain outcome measures (Lub et al., 2012).

### **2.5.2 Organisational Factors and Employment Contract Factors**

Research suggests that the antecedents of the psychological contract are set in motion by pre-employment experiences, the recruitment phase, and initial on-the-job socialisation (Rousseau, 2001b). Turnley and Feldman (1999) claim that the two primary sources are the interactions with organisational representatives, and their perceptions of the organisation's culture. It is clear that individuals initially seek information regarding the psychological contract during recruitment, which sets the basis for further refinement of the psychological contract during the early stages of employment (Rousseau, 2011; Shore & Tetrick, 1994). As such, the psychological contract develops within a highly dynamic environment in which the employee is coming into contact with a number of organisational agents, and each has the potential to send a range of different messages regarding the terms of the psychological contract (Shore & Tetrick, 1994).

For example, a recruiter who highlights opportunities for promotion may influence the potential employee's psychological contract, even though that individual would be fully aware that a decision regarding their future promotion would not be made by that recruiter (Shore & Tetrick, 1994). In saying this, research suggests that a recruiter tends to have little impact and is not regarded as a credible source of information, and that new recruits place more emphasis on the information they receive from their direct supervisor (Fisher, 1990; Rousseau, Hornung, & Kim, 2009). A potential explanation for this is that a new individual will often rely on their immediate supervisor to carry out many of the perceived contractual terms (Shore & Tetrick, 1994). This view is supported by Liden, Bauer, and Erdogan (2004) who argue that the "immediate supervisor plays a critical role as a key agent of the organisation through which members form their perceptions of the organisation" (p. 228).

There is also evidence that co-workers play an important role in influencing the content of psychological contracts for new recruits (Miller & Jablin, 1991; Rousseau, 2011). Co-workers may do this by sharing perceptions of supervisors or the trustworthiness of an organisation, or other relational issues that are difficult to assess prior to joining an organisation. This allows the new recruit to alter their contract and therefore assess the likelihood that the organisation is likely to violate it (Shore & Tetrick, 1994). Further to this, co-workers are often a source of how fair an individual's employment contract is relative to other employees at a similar level, and are assumed to play an important role in providing information to new recruits (De Vos & Freese, 2011).

De Vos, Buyens, and Schalk, (2003) conducted a cross sectional longitudinal study of 333 new recruits covering the first year of their employment relationship. This study attempted to address psychological contract formation from the point of view of a sense making process, which has been found to occur during the socialisation period. They found that, during the early stages of the employment relationship, new recruits actively attempt to understand the promises they have been made by interpreting their actual experiences. New recruits devote a considerable amount of time and effort to develop their understanding of their employers expectations, which in turn leads to a more comprehensive understanding of the psychological contract (De Vos et al., 2003; Rousseau, 2001b).

It is also apparent that the perceptions regarding promises from an organisation can also be based on previous organisational actions. The example Shore and Tetrick (1994) use is that past or present favourable treatment of employees (e.g. provide training opportunities) can create the perception that the organisation is obligated to continue such treatment. What is clear is that any

change in the factors governing the employment relationship will repeatedly compel employees to reassess their psychological contract (Millward & Hopkins, 1998).

### **2.5.3 Individual and Social Factors**

Individual and social factors influencing psychological contracts fall into three broad areas - the individual differences themselves, social interaction and comparison, and the extent to which psychological contract breach affects the contents of psychological contracts (Conway & Briner, 2009).

Although there has been very limited research regarding the impacts of individual differences on psychological contracts, research to date has found a number of influential factors. Coyle-Shapiro and Neuman (2004) provide some initial evidence of the advantages of examining individual differences in psychological contract research. In particular they found that a creditor ideology, which describes an individual's preference to have others in their debt, related positively to employee perceptions of their obligations to their employer, whilst an exchange ideology related negatively to employee obligations and fulfilment of obligations. Personality characteristics such as extraversion, conscientiousness, self-esteem, and locus of control have also been found to predict perceptions of contract breach (Raja et al., 2004; Tallman & Bruning, 2008).

The degree to which an employee perceives an employment agreement to be either transactional or relational is also likely to be associated with the individual's goals (Schalk & Roe, 2007). Shore and Tetrick (1994) provide the following example:

A student who is seeking temporary employment with flexible working hours in order to accommodate her school schedule may be more interested in the transactional aspects of her psychological contract, whereas another individual seeking long-term employment opportunities may focus on information relevant to the relational contract, including elements such as career development opportunities and job security. Thus individual's information-seeking efforts will be organised around their particular employment goals (p. 97).

Research from Millward and Hopkins (1998) supports this notion and found that the content of the psychological contract was related to the type of relationship the employee desired with the organisation. In particular Millward and Hopkins (1998) found that individuals who stated they did not anticipate being in that particular role long-term focused on short-term benefits in exchange for hard work, indicating a transactional orientation. In comparison, those individuals



looking for a long-term employment relationship perceived an employment relationship based on the exchange of job security for their loyalty, indicating a more relational orientation. This is supported by Rousseau (1990) who suggested that an employee seeking long-term employment is likely to perceive more relational obligations than an individual viewing a particular role as a stepping-stone to another job.

The second area is that of social interaction and comparison. Co-workers often shape how employees interpret the terms of the psychological contract (Rousseau, 2011). Ho, Rousseau, and Levesque (2006) found that employees deeply involved in the organisations friendship network believed the firm owed them more transactional obligations. They did not, however, find any relationship between social networks and relational obligations. Notwithstanding this research, and other investigations from Ho and colleagues (Ho, 2005; Ho & Levesque, 2005), there is little research investigating the relationship between the level of involvement an employee has in an organisation's social network and the psychological contract (Conway & Briner, 2009).

The formation of psychological contracts has also been investigated through longitudinal studies of socialisation processes. In a sample of 880 British Army new recruits, Thomas and Anderson (1998) found after eight weeks of initial training, the new recruits' expectations increased considerably, particularly in regards to job security, social/leisure aspects, effects on family, and accommodation. This indicates that these dimensions are a relational, as opposed to transactional, psychological contract (Thomas & Anderson, 1998) a finding that differs from previous research, and outlines that the dimensions of the psychological contract that employees find important may differ according to research setting.

Research based on MBA students placed greater importance on performance related pay, and rapid advancement (Robinson et al., 1994; Rousseau, 1990). Additionally a representative sample based on the UK working population found that individuals value a safe working environment and consider this an employer obligation (Herriot et al., 1997).

The differences in findings from Thomas and Anderson (1998), Rousseau (1990), and Herriot et al. (1997) could be due to context. It seems obvious that MBA students, for example, would focus on economic benefits and a more transactional contract, whilst the soldiers in Thomas and Anderson's (1998) study would seek a more relational contract. This research is another example that adds weight to the argument that it is important for employers to be aware of the contents of their employee's psychological contract (Thomas & Anderson, 1998). This study also confirms the notion that the psychological contract is dynamic and evolving (Robinson et

al., 1994), and that it may be changing over a matter of weeks, rather than months when new employees first join an organisation (Thomas & Anderson, 1998). Further research shows that this relationship tends to stabilise by the end of the second year (De Vos et al., 2003). A longitudinal study from Lee and colleagues (2011) found that there was a greater change in perceived obligations of the psychological contract in the first year of employment than in the second.

Of note, Thomas and Anderson (1998) was the only psychological contract publication focusing on the military context discovered during the literature review. This further highlights the need to develop an understanding of the unique employment relationship within the military. A more recent study from De Vos, Buyens, and Schalk (2005) supports the findings from Thomas and Anderson (1998), and as a result of their findings De Vos et al. (2005) recommend that employers are proactive in providing information to new recruits regarding the psychological contract right from the start of the employment relationship. Organisations are then more likely to enable employees to develop realistic and mutually understood psychological contracts (De Vos et al., 2005).

The final consideration is the extent that psychological contract breach has on the content of the psychological contract. Research suggests that breach or violation leads to employees rebalancing the contract by reducing their level of obligation towards an employer (Coyle-Shapiro & Kessler, 2002). Research has also found that the effect of breach differ across the transactional/relational distinction.

A lower level of organisational trust has been associated with the perception that the psychological contract has been violated (Grimmer & Oddy, 2007). Further, the impact of contract violation on commitment and trust was mediated by relational, but not transactional contract scores, providing further evidence that it is essential for organisations to understand the content of their staff's psychological contract. This is an important aspect of this particular research project and highlights the requirement to understand the content of the psychological contracts and the effect that the content may have on the reactions of employees to organisational change.

#### **2.5.4 Employee's Position Within the Organisation**

In her 1989 article, Rousseau proposed that the psychological contract is related to an individual's position within an organisation, and highlighted that the "beliefs in the existence of psychological contracts are more likely to emerge and increase in scope with such position characteristics as seniority and job tenure" (p. 135). Rousseau (1989) further outlines this

proposition by explaining that individuals who are highly involved in the organisation, including those with specialised training and/or seniority, and who may be expected to make more sacrifices, might expect more than just their annual salary.

Evidence in support of this particular hypothesis has been mixed. Atkinson and Cuthbert (2006) found that managers tend to have a more relational contract, however they noted that the difference was not as large as they thought could reasonably be expected. They also noted that in some areas there were considerable similarities between groups. Herriot et al. (1997) also support this finding. They found the organisation group quoted more relational than transactional forms of obligations, with the employee group emphasising the opposite. A further example of differences between various organisational groups include a Belgian study (Sels, Janssens, Van den Brande, & B., 2000) which found that white and blue-collar workers have significantly different psychological contracts with transactional obligations such as pay being fundamental to blue-collar workers, and white collar employees emphasising the importance of relational obligations such as job security and career progression. Despite their apparently conclusive findings, Sels et al. (2000) do note that the unique Belgium labour laws may have a significant impact on the generalisability of their findings. In contrast, Freese and Schalk (1996) found few differences between the psychological contracts of full-time and part-time employees. Atkinson and Cuthbert (2006) highlight that the possible differences in the content of psychological contract dependant on an individual's place in the organisational hierarchy remains essentially uncharted. Furthermore, evidence suggests that employees at similar levels in an organisation may develop dramatically different psychological contracts, particularly if they rely on different sources to obtain information regarding the terms of the employment agreement (Rousseau, 2011).

## **2.6 The Psychological Contract as a Tool for Understanding the Employment Relationship**

In their study of Australian academics Krivokapic-Skoko and colleagues (2009) argue that understanding the formation and contents of the psychological contract is crucial to understanding and managing job performance and the employment relationship. By its very definition, a psychological contract is an individual perception (Rousseau & Tijoriwala, 1998). Issues arise when an employee's and employer's perceptions differ in relation to their perceived contract (Coyle-Shapiro & Kessler, 2002). Research by Lester et al. (2002) found there was a considerable difference in supervisor and subordinate perceptions in relation to pay, advancement opportunities, and a healthy employment relationship. In general, supervisors perceived that they had fulfilled the psychological contract to a greater extent than did the subordinates. Results such as this have important implications, and suggest that managers must

endeavour to understand the perceptions employees have in regards to the obligations of their employment relationship (Robinson & Morrison, 1995). Some degree of mutual understanding is essential for both to achieve their independent objectives (Rousseau, 1989). Research conducted by Porter, Pearce, Tripoli, & Lewis (1998) supports this notion, and found that understanding the gap between employee and employer perception provides a unique framework for understanding an employee's satisfaction with an organisation. This is an important point, and it must be realised that the concept of the psychological contract aides with understanding as opposed to prediction (Shore & Tetrick, 1994), and is a particularly good structure to use when things have gone wrong (Morrison, 1994). According to Morrison (1994), the psychological contract can be used to: "Diagnose where to intervene and help, explain to people what is happening to their feelings, know where to look for inconsistencies in the strategy or plan, and help see what everyone has implicitly agreed to ignore" (p. 19).

Interest in the employment relationship shows no signs of slowing down and a critical role for researchers is to better comprehend how employees assess that relationship (Coyle-Shapiro & Conway, 2005). The role of the psychological contract as an explanatory construct has been the subject of debate (e.g. Guest, 1998; Rousseau, 1998). However, in the context of the current economic climate and as a result of the trends within all organisations towards restructuring, downsizing, and other cost cutting measures, many researchers have argued that psychological contracts are playing an increasingly important role in understanding contemporary employment relationships (P. Atkinson, Barrow, & Connors, 2003; Millward & Hopkins, 1998; Robinson, 1996). Researchers have also stated that the psychological contract is a reliable determinant of human behaviour in organisations (Coyle-Shapiro & Kessler, 2000; M. Faul, 1999; Roehling, 1997; Schein, 1965). For example, Guest and Conway (2002) found that the psychological contract presents managers with a useful framework within which to analyse and manage the employment relationship, and also confirmed that consideration of the psychological contract is a core task of management. Within the context of the economic trends mentioned above, the argument for using the psychological contract for analysis of the employment relationship is likely only to get stronger (Guest, 2004).

A key reason for the revived interest in psychological contracts is because of the effect a breach in psychological contract has on the actions and conduct of organisational members (Coyle-Shapiro & Kessler, 2000). A psychological contract creates predictability, and predictability is part of the human requirement for structure, and is a requirement for trust. According to Morrison (1994): "When people and events are predictable enough, you can rely on them. Reliability in individuals and organisations makes them credible. Credibility generates loyalty. Predictability, reliability, credibility, loyalty, and trust all reinforce each other" (p. 7).

Discrepancies in what each party perceives to have been promised can lead to a breach of contract (Wolfe Morrison & Robinson, 1997). To date a significant amount of research has found a number of negative effects on the employment relationship as a result of such a breach. A meta-analysis from Zhao and colleagues (2007) found that psychological contract breach is negatively associated with trust in management, job satisfaction, organisational commitment, turnover intentions, OCB, and in-role performance. Research also suggests that if employees perceive that their psychological contract has been breached they are more likely to voice their displeasure with organisational practices to upper management, and are less likely to be loyal to the organisation in representing it to outsiders (Turnley & Feldman, 1999). Further to this, Lester et al. (2002) found that the greater the contract violation, the more significant the negative effects are on the employment relationship. Lester et al (2002) also suggested that employees tend to view a breach of the psychological contract as a deliberate breaking of commitments, whereas supervisors are inclined to believe breaching the psychological contract is the result of circumstances beyond the organisation's control. Unfortunately as the above clearly shows: "Just when organisations 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 organisation" (Turnley & Feldman, 1999, p. 920).

Due to the potential for these negative consequences, it is essential to recognise the circumstances under which perceptions of psychological contract breach arise (Robinson & Morrison, 2000). However, it is not all bad news. Research has also found that where both parties have a shared understanding of the components of their psychological contract, organisationally desired outcomes will result (Coyle-Shapiro & Kessler, 2000; Dabos & Rousseau, 2004).

## **2.7 The Changing Nature of Careers and the Content of the Psychological Contract**

The renewed interest in the psychological contract has arisen from the transformation that has taken place in the workplace that began during the 1990s (Cooper, 1999). During the past 20 years, organisations have experienced an accelerated pace of change. Downsizing, outsourcing, re-organisations, and many other change initiatives have all led to the demise of the 'old', and the surfacing of a 'new' psychological contract as the foundation of the employment relationship (Coyle-Shapiro & Kessler, 2000; Herriot et al., 1997; Hiltrop, 1995; Sparrow & Cooper, 2012). De Meuse, Bergmann, and Lester (2001) found that over the last 50 years there has been a significant change in the employee's perception of the relational component of the psychological contract. A large percentage of organisations are motivated by the requirement to

be flexible and, as such, can no longer afford to offer long-term job security (Clarke & Patrickson, 2008).

The rapid rise of information technology and the delegation of decisions to lower levels within many organisations has reduced the requirement for mid-level management, and therefore removed opportunities for promotion - a key element of a relational psychological contract (Herriot et al., 1997; Herriot & Pemberton, 1996). This, of course, is no new phenomenon and as early as 1994 the reduction in employee loyalty and the requirement for employees to look after themselves was touted as a sign of the times (Robinson & Rousseau, 1994). Sparrow and Cooper (2012) developed the below table to highlight the past and emergent forms of the psychological contract.

**Table 2-2. Past and Emergent Forms of Psychological Contract**

<b>Characteristic</b>	<b>Past form</b>	<b>Emergent form</b>
<b>Focus</b>	Security, continuity, loyalty	Exchange, future
<b>Format</b>	Structured, predictable, stable	Unstructured, flexible, open to (re) negotiation
<b>Underlying basis</b>	Tradition, fairness, social justice, socio-economic class	Market forces, saleable, abilities and skills, added value
<b>Employer's responsibilities</b>	Continuity, job security, training, career prospects	Equitable (as perceived) reward for added value
<b>Employee's responsibilities</b>	Loyalty, attendance, satisfactory performance, compliance with authority	Entrepreneurship, innovation, enacting changes to improve performance, excellent performance
<b>Contractual relations</b>	Formalised, mostly via trade union or collective representation	Individual's responsibility to barter for their services (internally or externally)
<b>Career management</b>	Organisation responsibility, in-spiralling careers planned and facilitated through personnel department input	Individual's responsibility, out-spiralling careers by personnel re-skilling and retraining

(Sparrow & Cooper, 2012, p. 17)

The outcomes of this increased organisational change have, of course, come as no surprise:

Individuals have felt angry at the unilateral breaking of the psychological contract, and at the same time insecure, having lost trust in the organisation...Overall they have lost their previous feeling of commitment to the organisation. Such issues of motivation and morale are fundamental at present, since lean organisations need effort and commitment to get the work done, and at the same time willingness to take risks in pursuit of innovation (Herriot et al., 1997, p. 152).

It is clear that when implementing organisational change, ignoring human needs can cause chaos with the traditional psychological contract. As a result of ignoring the needs of their employees in the past, many organisations lost key personnel they had taken for granted. Many organisations now understand that having motivated employees is just as important as economical procedures and modern technology (Morrison, 1994).

Perhaps most concerning is that it has been proposed that under the new psychological contract, employees have lost their sense of agency (Herriot et al., 1997) and are unable to control what happens to them. These feelings have been intensified by the almost constant succession of management fads, perceived as yet more unwarranted change in a time already dominated by change and turbulence (Herriot & Pemberton, 1997).

Researchers have proposed that an effective method to review the changes in the employment relationship is to investigate the change in the psychological contract (Sparrow & Cooper, 1998). A longitudinal study from Atkinson (2002) found that the new psychological contract moved the onus for managing their careers on to employees, and that those employees considered that this was a violation of the 'old' psychological contract. The new contract in the organisation was considered to be a move from a relational contract towards a more transactional contract. This has significant implications. Atkinson (2002) noted that the 'old' psychological contract is no longer sustainable in modern economic environment, although the 'new' psychological contract may also be harmful if it leads to negative outcomes regarding workers' attitudes and motivation.

The ideas of employability and career resilience (Waterman & Waterman, 1994) have surfaced in response to this new type of contract. It has been proposed that employability rather than employment security is characteristic of the new psychological contract (Maguire, 2002). According to Atkinson (2002): "The career resilient worker is an employee who moves quickly to keep pace with change, is dedicated to continuous learning, takes ownership of career management, and is committed to the company's success" (p. 14).

There is an implication; therefore, that altering the psychological contract may be possible without causing irreparable damage to the employment relationship (Atkinson, 2002). According to the theory, an employable person is able to move from one organisation to another with relative ease, confident with their unique set of competencies to find appropriate employment in an organisation of their choosing (Clarke & Patrickson, 2008).

This has serious implications in an organisation such as the Navy where employees with the required experience and skills cannot be recruited from just anywhere. Although many employees in the Navy have skills that are transferable outside of the Defence Force, due to the highly specialised nature of many roles in the Navy, very few civilians have skills that are transferable to the Navy. For example, the only way to obtain the experience required to be Captain of a warship is to gain that experience from within that organisation (or another foreign Navy). This severely limits the pool of potential employees, and therefore the Navy's ability to 'buy' in the required personnel.

## **2.8 Human Resource Management Strategy and the Psychological Contract**

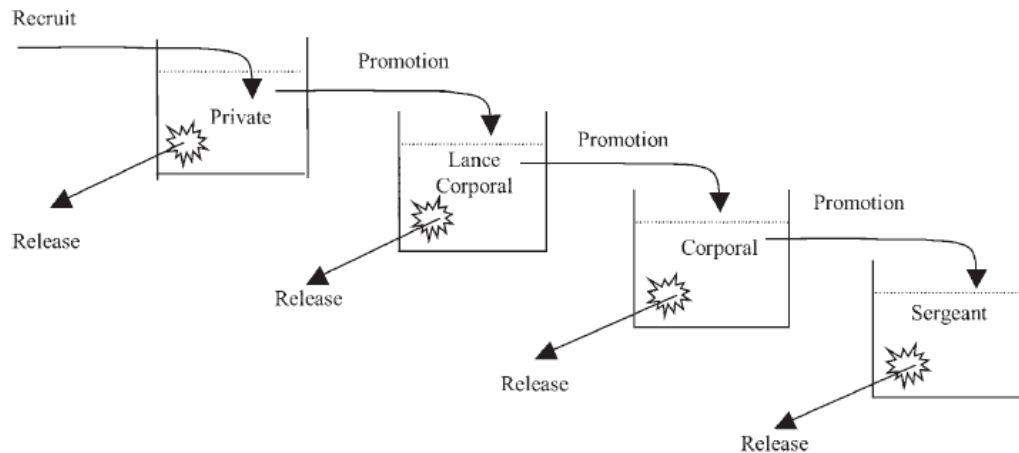
Most organisations can use HRM in a number of different ways to increase their human capital (Cascio, 1991). For example, they can "buy" in the required talent, or "make" it internally through extensive training and development opportunities (Jackson & Schuler, 1995). Miles and Snow (1984) described this distinction by using the terms 'make'-orientated firms, which normally recruit people at entry level, and grow employees over time to meet future requirements, and 'buy' orientated firms that hire employees as and when required to meet specific needs. Rousseau (1990) argued that transactional contracts involve employees with a specific skill set in order to meet current requirements. Relational contracts on the other hand involve open-ended agreements and include training and development opportunities and an enduring employment relationship with the organisation (Rousseau, 1990). Therefore it could be deducted that firms that rely on 'make'-orientated strategies will benefit from emphasising the relational aspects of an employment agreement.

The military is one such industry that is required to rely on 'make'-orientated strategies when developing its HRM policy. In the military, regenerating personnel numbers lost through high attrition is limited to increasing new recruit numbers, and training the right mix of military and trade skills over time (Cavana et al., 2007). For example, the skills required of a Chief Petty Officer who maintains a weapon system cannot easily be 'bought' from outside the organisation.

Furthermore, in order to maintain the rank structure of a military organisation it is essential to maintain a balance between the number of people being promoted into and out of each rank



level, and the number of people leaving the military altogether (Cavana et al., 2007) as depicted in the model below.



**Figure 2-2. Illustrative Stock and Flow Diagram for Army Trade Career Progression (Cavana et al., 2007, p. 204)**

What the above model does not show is that sufficient personnel numbers are required at the higher rank levels in order to train the personnel below in the specific skills required for promotion. If there is overly high attrition at the sergeant level, this places stress throughout the whole rank structure, as this loss of essential corporate knowledge and experience is almost impossible to replace. In the private sector, senior personnel with years of experience can potentially be ‘bought’ from another firm. This is much more difficult in a highly specialised industry such as the Navy.

### 2.8.1 The Royal New Zealand Navy

The RNZN is based in Devonport, Auckland. The Navy’s current fleet consists of 11 ships including two ANZAC class frigates, Her Majesty New Zealand Ships (HMNZS) Te Kaha and Te Mana; a fleet replenishment ship (tanker) Endeavour; the multi-role ship (amphibious and military sealift) Canterbury; two offshore patrol vessels, Otago and Wellington; four inshore patrol vessels, Rotoiti, Hawea, Pukaki, and Taupo; and the diving support ship Manawanui (RNZN, 2012). As at September 2012, Wellington, Hawea, and Pukaki were alongside Devonport Naval Base unable to proceed to sea due to personnel shortages.

There are a number of factors that differentiate the RNZN from other organisations within New Zealand. The remainder of this section will discuss some of these differences and why they are important for this study.

The Navy’s routine operations stretch across the South Pacific and South East Asian regions, but roles in international peacekeeping and regional security mean ships and naval personnel

frequently serve further afield. This wide area of operations complicates efforts to conduct research on RNZN personnel. Personnel posted to sea going ships do not have access to the Internet, and given ships often spend up to a month at sea at a time, postage is also intermittent. A number of the Navy's staff are also involved in international peacekeeping assignments in places as remote as Afghanistan, Bosnia, and East Timor (RNZN, 2012). The remoteness of some of these locations makes it impractical for those personnel to send and receive mail.

There are also legal factors that make the employment relationship in the RNZN unique. Section 45 (5) of the Defence Act 1990 states that nothing in the Employment Relations Act 2000 applies to the conditions of service of members of the Armed Forces. As a result there is a feeling amongst personnel in the Navy that they don't have the same rights as every other employee in New Zealand (Human Rights Commission, 2009). For example, naval personnel are not allowed to join unions, or protest against senior management decisions (Defence Act, 1990). Section 36 (insubordinate behaviour), and Section 38 (disobeying a lawful command) of the Armed Forces Discipline Act 1971, indicate that personnel commit an offence if they refuse to obey a legal order, or show dissent towards senior leadership decisions. Outside of the NZDF, no other New Zealand employees are faced with these same restrictions. These legal requirements (Armed Forces Discipline Act, 1971) may have a significant impact on the psychological contract in the RNZN.

Research by the Human Rights Commission (2009) found that given that most employment contracts in the Navy are for 15 years, employment in the Navy is seen as a job for life, which was considered by most people to be a positive aspect of their employment conditions. There is no doubt that making 71 employees redundant in 2011 has had an impact on this perception of job security, and may have led to a readjustment of the psychological contract.

Previous research has shown that emphasising the relational aspects of the psychological contract may be one way of enhancing the length of time an employee spends with a particular organisation (Alcover et al., 2012; Hamilton & von Treuer, 2012; Rousseau, 1990), and has demonstrated the importance of context for understanding personnel practices (Coyle-Shapiro & Kessler, 2003; Jackson, Schuler, & Rivero, 1989). As Cavana and colleagues (2007) have highlighted, retention of key employees is particularly important within the military environment. The main reasons for this are the length of time it takes to train and develop certain employees for key roles and the difficulty in recruiting from other New Zealand private and public sector organisations.

This may not at first glance seem overly important. However as Coyle-Shapiro (2002) points out, the public sector is inherently different from the private sector and private sector research may not generalise to public sector employees. For example, Faul (1999) found that public

sector employees have a higher need for job security than their private sector counterparts, and perhaps more importantly, public sector employees feel that they have fewer alternative employment opportunities.

As the public sector increasingly places emphasis on private sector ideals and is faced with the ongoing requirement to deliver more with less, the challenge is to recognise this uniqueness and to take it into account when managing public sector staff (Coyle-Shapiro & Kessler, 2003).

This study suggests that options for HRM strategies within the military context are perhaps less than in private sector organisations, in which the majority of previous psychological contract research has been conducted. This further highlights the importance of this study in examining the contents of the unique psychological contract within the Navy, and the requirement to understand the relationship between this psychological contract and an employee's intention to leave.

### **2.8.2 Psychological Contract Research in the Public Sector**

The public sector has not been immune to the increased level of organisational change over the last decade (Coyle-Shapiro & Kessler, 2000). As early as the mid 1980s, reducing employee numbers had become a popular way of achieving governmental cost savings as personnel costs represent the single biggest expense within most government departments (Cayer, 1986). Downsizing is now commonplace, redundancies have been extensive, and there is an increasing trend to outsource work that is not considered core business (Feldheim, 2007). Organisational survival and cost effectiveness have become the driving force dictating the way employees are managed (Coyle-Shapiro & Kessler, 2000). The general change in the employment relationship within the public sector can be summarised as follows:

Old certainties such as job security, pay levels based on 'fair' comparisons, pay increases maintaining living standards, career opportunities founded on clear and stable paths have all been threatened. Moreover, as the protective supports of the employment relationship have crumbled, these same pressures have forced a tightening of work practices and a general intensification of work (Coyle-Shapiro & Kessler, 2000, p. 3).

Coyle-Shapiro and Kessler (2003) investigated the relationship between the psychological contract, commitment and organisational behaviour in the public sector. Their results show that the fulfilment of relational obligations may be a low-cost way of obtaining necessary attitudes and behaviours. Perhaps their most important finding was that the psychological contract offers a constructive and practical framework for understanding how public sector employees view their employment relationship (Coyle-Shapiro & Kessler, 2003).

Feldhiem (2007) advocates that public administrators must understand the harm that strategies such as downsizing have on the traditional public service ethic, commitment, and devotion to service. When employees are pressured to work longer hours and managers place greater demands on their staffs personal time, employees are likely to experience an increase in stress and fatigue, a decrease in job satisfaction, and an erosion of their work-life balance (Macky & Boxall, 2008).

Guest and Conway (2000) found that employees working in central government are the least satisfied with their employment relationship, and that central government employees report a significantly poorer psychological contract than other workers. Guest and Conway's (2000) findings suggest that public sector workers have a different psychological contract than their private sector counterparts. This highlights a greater need for psychological contract research that is based on organisations other than those found in the private sector.

## **2.9 The Content of the Psychological Contract and Outcomes**

The relational/transactional orientation of the psychological contract and its relationship to outcome variables such as intention to leave is an element that has been neglected in the research (Conway & Briner, 2009; Hamilton & von Treuer, 2012; Shore & Tetrick, 1994). Two notable exceptions are Alcover et al. (2012), and Hamilton and von Treuer (2012). The limited research that has been carried out has shown that relational contracts are generally associated with positive outcomes, and transactional contracts with negative outcomes (Alcover et al., 2012; Chambel & Castanheira, 2007; Hamilton & von Treuer, 2012; Hui et al., 2004). Theory provides the foundation for the proposal that relational contracts would be positively related to organisational outcomes better than transactional contracts (Rousseau & McLean Parks, 1993; Rousseau, 1995). According to Millward and Hopkins (1998):

Employees who are relationally-orientated to the organisation are more likely than those who are transactionally-orientated to be committed to organisational goals and values or to behave as organisational citizens; that is, going the extra mile, pursuing corporate interests and activities, behaving cooperatively, and generally contributing to organisational effectiveness (p. 1533).

In a large Norwegian sample Kalleberg and Rouges (2000) found a positive association between more relational as opposed to transactional contracts with superior levels of commitment, job satisfaction, and intention to stay. When employees perceive a transactional psychological contract they are less likely to consider that going the extra mile will bring them additional reward or recognition (Hui et al., 2004). In order to deepen our understanding of the

employment relationship it is important to understand the content of employees psychological contracts and the effect that content has on relevant organisational outcomes (Hui et al., 2004).

Herriot and Pemberton (1996) developed a model that proposed that, depending on whether the contract is founded on transactional or relational obligations, a number of different outcomes may result, including exit from the contract or its re-negotiation. Their model proposes that the nature of the contract should predict the nature of outcomes when the contract is perceived to be equitable or inequitable, and honoured and dishonoured. Herriot and Pemberton (1996) propose that:

If the contract is primarily transactional, then the parties concern will probably be whether the outcomes are a fair exchange: they will concentrate on distributive justice. If, on the other hand, the contract is primarily relational, then procedural equity is more likely to be of concern, the parties will pay attention to fairness of the process rather than of the outcomes (p. 757).

Research has also found that employers often do not understand what is truly important to their employees. For example, management may seek to create a relational psychological contract believing that is what their employees want. However, many employees may place a higher priority on the simple transaction of pay and a secure job, in exchange for time and effort (Herriot et al., 1997). This provides further evidence of the essential requirement to understand the perceptions that employees have regarding the content of their psychological contracts. What Herriot and colleagues research (1997) further provides is strong evidence that unless Herzberg's hygiene factors have been met as part of a basic transactional psychological contract, any attempts to build a strong relational psychological contract may fail.

It is clear that broad relational contracts can lead to a positive employment relationship. However, according to Guzzo et al. (1994) they may also have a downside. For example, violation is more likely to be perceived in a relational than a transactional psychological contract. It has been suggested that those individuals with a greater relational psychological contract orientation are likely to experience greater disappointment if their contract is violated, than those that place greater emphasis of the transactional aspects of the employment relationship (Robinson et al., 1994). Previous research building on this idea found that the influence of contract violation on commitment and trust was mediated by relational, but not transactional contract scores (Grimmer & Oddy, 2007).

Although previous research examining the consequences of psychological contract contents is limited, the previous studies that have been conducted have had mixed results. Coyle-Shapiro and Kessler (1998) found that the importance an individual attaches to transactional obligations

has a negative effect on their perceived obligations to the employer and the level to which they perform those obligations. On the other hand, they found that the weight attached to relational obligations has a positive effect on employee obligations and contract behaviour. Contrasting research from a Chinese sample (Hui et al., 2004) found that transactional contracts had a direct effect on OCB indicating that in China transactional contracts are considered a valuable form of employment. Other research has found that Chinese employees place significant importance on the economic factors when considering their employment options (C. Lee et al., 2011). However, Lub, Blomme, and Bal (2011) found that relational obligations were a significant predictor of OCB, but transactional obligations did not predict OCB. Raja, Johns and Ntalianis (2004) found positive associations between relational promises and employee attitudes (job satisfaction, organisational commitment, and intention to quit), but negative associations between transactional contracts and the same outcomes. These findings emphasise the importance of context.

As mentioned above, most existing research has looked at how the contents of psychological contracts are formed rather than the consequences of those contents. Conway and Briner (2009) have alluded to the fact that this may indicate that psychological contract breach, as opposed to contents, has significantly stronger links with outcomes. This position, however, does little to aid managers who require information outlining the ideal psychological contract within their particular organisation. Many organisations make strategic decisions that significantly impact the psychological contract without understanding the impact on the organisation's future (Shore & Tetrick, 1994). It has been argued that the perceived obligations associated with an individual's psychological contract is often more important than any explicit employment contract (Krivokapic-Skoko et al., 2009). As has been briefly outlined above, the psychological contract has been proven as a relevant construct to explain employee behaviours including commitment, turnover, and organisational citizenship behaviours (De Vos et al., 2003; Kalleberg & Rognes, 2000). However, very few studies to date have explored the psychological contract in a military setting, the notable exception of course being Thomas and Anderson (1998). This study aims to address this shortfall.

### **2.9.1 Psychological Contract and Affective Commitment**

The relationship between psychological contract and commitment is well established in the literature (McInnis, Meyer, & Feldman, 2009; Robinson & Rousseau, 1994; Wolfe Morrison & Robinson, 1997; Zhao et al., 2007), and there is no doubt that the psychological contract is related to an employee's commitment to their organisation (Rousseau, 1989). It has even been suggested that one of the primary goals of HRM is to obtain high commitment (Guest, 2004).

Meyer and Allen's model of organisational commitment is considered the dominant model of study of workplace commitment (Jaros, 2007).

According to Meyer, Allen, & Smith (1993) commitment is a psychological state that: "(a) characterises the employee's relationship with the organisation and (b) has implications for the decision to continue or discontinue membership in the organisation" (p. 539). In general, three types of commitment have become prominent: affective, normative, and continuance commitment. Affective commitment is defined as "the employee's emotional attachment to, identification with, and involvement in the organisation", normative commitment is "a feeling of obligation with the organisation", and continuance commitment is defined as "an awareness of the costs associated with leaving the organisation" (Meyer & Allen, 1991, p. 67). This distinction can be summarised as follows: "Employees with strong affective commitment remain because they want to, those with strong continuance commitment because they need to, and those with strong normative commitment because they feel they ought to do so" (Allen & Meyer, 1990, p. 3).

Previous studies have found that, of the three, affective commitment is the most strongly related to the state of the psychological contract (Herriot et al., 1997). Affective commitment has also been previously proven as a strong predictor of employee behaviour (McElroy, 2001; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Ten Brink, 2004), and the most important predictor of turnover intentions (Jaros, 1997; Meyer et al., 1993). Research from Whitener and Walz (1993) found that affective commitment had a significant, negative effect on intent to quit the organisation, but there was no such relationship with continuance commitment. Somers (1995) found that affective commitment and normative commitment were significant predictors, but continuance commitment was not significant. A common theme reported in the literature is a strong negative relationship between affective commitment and intention to leave (Alcover et al., 2012). Affective commitment is therefore the construct chosen to investigate in this particular study.

A number of studies have found that psychological contract breach or violation is related to organisational commitment (Bal et al., 2008; Coyle-Shapiro & Kessler, 2000; Grimmer & Oddy, 2007; Lester et al., 2002). It appears that employees seek to re-balance this exchange relationship by reducing their level of commitment and enthusiasm to engage in organisational citizenship behaviour (Coyle-Shapiro and Kessler, 2000). Furthermore, research suggests that the impact of contract violation on commitment is mediated by relational, but not transactional contract scores (Grimmer & Oddy, 2007).

What has received relatively less attention is the relationship between the content of the psychological contract and employee behaviour (Cable, 2012). A notable exception is Millward and Hopkins (1998) who found that the more relational the orientation of an employee, the higher the level of self-reported commitment. On the other hand, the more transactional an employee's orientation, the lower the self-reported level of commitment. As a result of the previous research it could be speculated that:

For transactionally orientated employees, the organisation is simply the place where individuals do their work and invest little emotional attachment or commitment to the organisation. It is a place where they seek immediate rewards out of the employment relationship situation such as pay and credentials (Millward and Hopkins, 1998, p. 1532).

Research from Raja et al. (2004) also found that contract type was associated with organisational commitment. More recent research from Alcover et al. (2012) found a statistically significant relationship between the orientation of the psychological contract and affective commitment, in that the relationship was negative for a transactional orientation and positive for a relational orientation. For the purposes of this study the following hypotheses are proposed:

***Hypothesis 1:*** Relational contracts have a positive direct impact on affective commitment.

***Hypothesis 2:*** Transactional contracts have a negative direct impact on affective commitment.

***Hypothesis 3:*** Affective commitment has a positive direct impact on the intention to leave.

### **2.9.2 Psychological Contracts, Intention to Leave, and the Mediating Role of Affective Commitment**

Retention of excellent staff has been found to be a key component of success in many different industries (Simon, Kumar, Schoeman, Moffat, & Power, 2011). It has been suggested that the cost of replacing an employee can amount to 70 percent of a year's salary (Hinkin & Tracey, 2000). In addition, high attrition may lead to a loss of essential corporate knowledge (Coff, 1997) and considerable disruption in the workplace (Feeley, 2000). Many academics have attempted to understand this aspect of the employment relationship from the angle of the psychological contract (Alcover et al., 2012; Hamilton & von Treuer, 2012; Lester et al., 2002; Robinson, 1996; Rousseau, 1989; Shore & Coyle-Shapiro, 2003; Shore & Tetrick, 1994; Tekleab & Taylor, 2003; Ten Brink, 2004). In part, due to the above studies, the importance of



the psychological contract has been highlighted as an important aspect of improving retention (P. Atkinson et al., 2003).

The intention to leave is considered the strongest and most direct predecessor of actual turnover (Jaros, 1997; T. W. Lee & Mowday, 1987; Michaels & Spector, 1982). A meta-analysis from Griffeth, Hom, and Gaertner (2000) investigating studies over a ten-year period, found that quit intentions remain the best predictor of actual turnover. Furthermore, a meta-analysis from Tett and Meyer (1993) put the same relationship at .65 over a 24-year period. This current study, therefore, measures this construct, which is defined as the “conscious wish to terminate one’s membership with an organisation (Freese, Schalk, & Croon, 2011, p. 407).

There have been a number of key investigations looking at the relationship between psychological contract violation and turnover intentions (see for example Robinson & Rousseau, 1994; Robinson, 1996; Turnley & Feldman, 1999). In comparison, little research has been done investigating the relationship between the content of the psychological contract and turnover. There are, however, a couple of key exceptions. Rousseau (1990) found that relational contract obligations were related to an employee’s tenure with the firm, and that transactional obligations were linked with a careerist attitude on the part of new recruits. Cavanaugh and Noe (1999) found that the level of agreement with the relational components of the new psychological contract mediated the relationship between work experiences and intention to remain with an employer. Guest and Conway (1997) found that a relationally orientated psychological contract was related to a weaker intention to leave. More recently analysis from Alcover et al. (2012) found that there was a statistically significant relationship between the orientation of the psychological contract, and intention to leave. This relationship was positive for transactionally orientated contracts and negative for relationally orientated contracts. Their findings are supported by a recent study from Hamilton and Treur (2012), which investigated Australian health professionals and had very similar findings.

Blomme et al. (2010) sought to investigate the differences in the psychological contract and its relationship to intention to leave in the hospitality industry. Their analysis found that psychological contract measures could explain a considerable amount of variance regarding intention to leave the organisation. This was particularly true if the mediating role of affective commitment is taken into account, in that, the more employees perceive their job as including challenging and interesting work, the higher their levels of commitment, and therefore the less likely they are to resign.

Therefore, this study also considers the importance of commitment (in this case affective commitment) as a mediator between the content of the psychological contract and an employee’s intention to leave. A mediating effect is generated when a third variable intervenes

between two other related constructs (Hair, Black, Babin, Anderson, & Tatham, 2006). In order to act as a mediating variable three conditions must be met: The independent and outcome variables covary significantly, variations in the mediator variable significantly account for variations in the outcome variable, and when the mediator is added to the model, the relationship between the independent and the outcome variable becomes non-significant (Baron & Kenny, 1986)

In summary, the following hypotheses are proposed:

**Hypothesis 4:** Transactional Contracts have a direct positive impact on an employee's intention to leave.

**Hypothesis 5:** Relational Contracts have a direct negative impact on an employee's intention to leave.

**Hypothesis 6:** Affective commitment mediates the effect of psychological contract content on intention to leave.

## **2.10 Gaps in the Literature**

Although the above literature review has highlighted a number of important studies that have contributed to the overall development of the psychological contract construct, the majority of research to date has focused on psychological contract breach or violation, and the impact that breach/violation has on employee behavioural outcomes (Conway & Briner, 2009). Academics such as Guest (2004) have proposed that the focus of future research should progress towards a greater emphasis on investigating the *state* of the psychological contract. This particular study focuses on addressing this call, and in particular, contributes to the psychological contract literature in two key areas, namely it investigates the effect the content (as opposed to breach or violation) of a psychological contract has on key employee behaviour outcomes (in this case affective commitment and intent to leave), and it will address the shortfall of psychological contract research in a military context.

According to Atkinson and Cuthbert (2006) the possible differences in the content of the psychological contract due to an individual's position in the organisation's hierarchy are yet to be fully investigated. It has been argued that there has been a shift in recent times from a traditional relational psychological contract to a new transactional contract (C. Atkinson, 2002; Hiltrop, 1996; Sparrow & Cooper, 2012). De Meuse et al. (2001) found that relational contracts have diminished across all employee groups. Other research has found that supervisors have a greater chance of having a relational perception than other employees (Freese & Schalk, 1996).

In comparison, Herriot et al.'s (1997) findings suggest that the psychological contract of all employees is primarily transactional. In summary, it appears that there is little consensus in this area (Atkinson & Cuthbert, 2006).

Atkinson and Cuthbert (2006) did seek to address this shortfall and in their statistical analysis of secondary data taken from the Working in Britain 2000 (WIB) dataset, they found that managers typically have a more relational contract. They do, however, highlight that these differences are not as large as may be expected. Atkinson and Cuthbert (2006) accept that their findings may be controversial, but they also point out that an HRM agenda that seeks to win the 'hearts and minds' in an effort to capture employee commitment, is likely to fail when employees appear to overwhelmingly focus on transactional issues (Herriot et al., 1997).

Although not the primary purpose of this research, the present study will contribute to the existing limited research in this area and analyse the content of the psychological contract across the various rank levels in the RNZN.

The majority of literature to date has investigated either the forming of, or the breaking of, the psychological contract (Conway & Briner, 2009). This previous research has focused on what happens when something goes wrong. What about normal everyday working life when there have not been any major violations, and the organisation is functioning as per usual? What is the optimal psychological contract that organisations should seek to create for their employees? To date there has been little investigation on the outcomes of the content of the psychological contract, and such an understanding is essential in order to appreciate the optimal circumstances for a satisfactory employment relationship (Conway & Briner, 2009; Guest & Conway, 2004). Guest and Conway (2004) have made the case that whilst breach is relevant for comprehending negative experiences at work, the current research fails to identify how the psychological contract can be utilised to enhance employee welfare. There is, at present, a lack of appreciation of how the psychological contract explains employee behaviour "during those times at which it is not being broken – which presumably is most of the time" (Conway and Briner, 2005, p. 12).

There have been a number of studies that have shown that contract violation leads to increased turnover. See, for example, Robinson (1996), Robinson and Rousseau (1994), Turnley and Feldman (1999), Westwood, Sparrow, and Leung (2001). There has, however, been almost no research investigating the particular elements of the psychological contract, which lead to increased employee turnover (Blomme et al., 2010). Up until a very recent study from Alcover et al. (2012) the relationship between the orientation of the psychological contract, affective

commitment, and intention to leave had evidently not been investigated together in one study (Alcover et al., 2012).

Researchers have advocated that the content of the psychological contract is likely to be dependant on context (C. Atkinson, 2008; Guest & Conway, 2004). With the exception of Thompson and Anderson (1998) there has been almost no other research investigating the psychological contract in a military.

This research project is an attempt to address these shortfalls.

## **2.11 Summary**

There is currently a significant issue with high attrition in the RNZN. This high level of attrition has led to a situation where the Navy is now struggling to meet its contracted outputs. The literature review has illustrated that investigating the current employment relationship through the lens of the psychological contract may shed some light, and provide an indication of where to take action in order to prevent an even further decline in personnel numbers. It has suggested that there is a direct relationship between the content of the psychological contract and an employee's intention to leave (Alcover et al., 2012; Blomme et al., 2010; Cavanaugh & Noe, 1999; Rousseau, 1990). There is also a significant amount of previous research demonstrating the relationship between affective commitment and turnover intentions ((Benjamin, 2012; Jaros, 1997; Meyer et al., 1993; Somers, 1995). Recent research has also found that affective commitment mediates the relationship between the content of the psychological contract and an employee's intention to leave (Alcover et al., 2012; Blomme et al., 2010). A final check of the literature one month prior to this thesis being submitted found an article from Alcover et al. (2012) in which they report findings from an hypothesised model similar to the model proposed below. Although not initially intended, this research replicates their study. The conceptual model of intention to leave is presented in Figure 2-3.

### Hypothesised Model

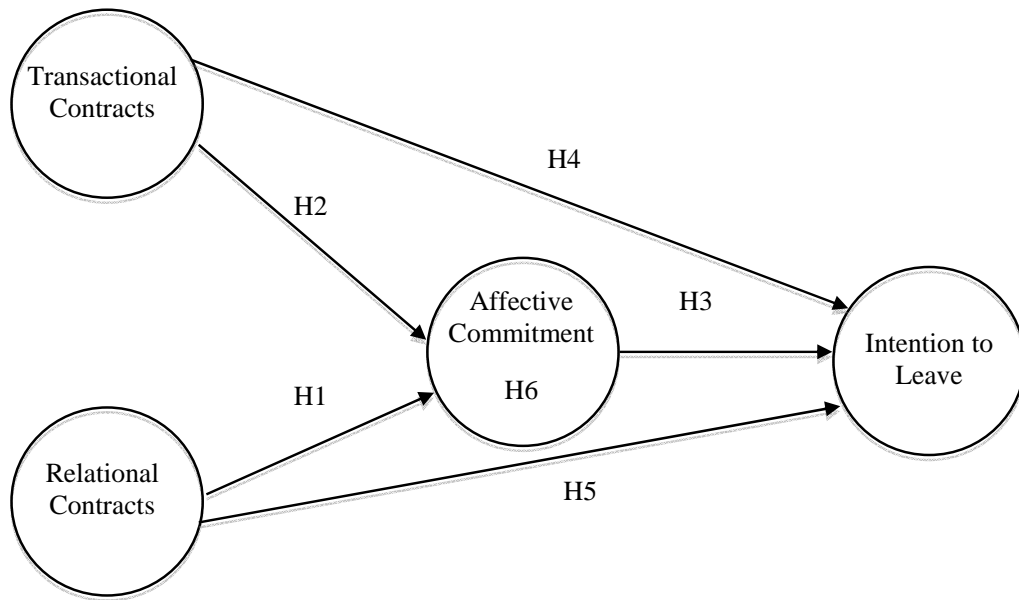


Figure 2-3. Hypothesised Model

## **CHAPTER 3 – METHOD**

### **3.1 Research Design Overview**

Researchers investigating the psychological contract have used a variety of methods including critical incident techniques (Herriot et al., 1997), diaries (Conway & Briner, 2002), case studies (Grant, 1999), and scenarios (Edwards, Rust, McKinley, & Moon, 2003). However, to date, self-completion questionnaires are the most commonly used data collection method in psychological contract research (Conway & Briner, 2005; Rousseau & Tijoriwala, 1998). Key advantages of self-completion questionnaires includes being cheap and rapid to administer, can reach large quantities of people and since there is no interviewer present, the risk of interviewer effects are eliminated (Bryman & Bell, 2007). In addition, given that the psychological contract is defined as an individual's perception of reciprocal obligations, it is assessed that self-report measures are the best direct source of information regarding the content of the psychological contract (Rousseau & Tijoriwala, 1998). The most significant limitation of the cross-sectional questionnaire is the threat of common method variance, as all data will be collected by self-reports (Turnley & Feldman, 1999). Other limitations include the fact that this research will not allow for an analysis of how psychological contracts change over time (Turnley & Feldman, 1999).

The present study seeks to identify the potential of the psychological contract as a predictor of intention to leave, as well as the mediating effect of affective commitment. This particular study utilises a postal questionnaire distributed to every reachable member of the RNZN.

The other data collection method considered was semi-structured interviews, but these were ruled out due to the unique ethical considerations that would need to be taken into account. Due to the researcher's personal position in the RNZN, he would not be able to conduct the interviews himself without the threat of social desirability bias, and the issues regarding a potential power relationship with some of the participants. Employing other personnel to conduct interviews on his behalf was ruled out due to the high costs associated with this method.

### **3.2 Participants**

At the time of survey distribution, there were 1856 personnel in the RNZN. Of these 38 were not sent surveys due to the remoteness of their current post, and the associated inherent difficulty in sending and receiving mail for those people. 1818 postal questionnaires were mailed out on 13 August 2012 to every other uniformed member of the RNZN. Of those, 46 questionnaires were 'returned to sender', as those personnel could either not be located through

the NZDF internal mail system, or left the Navy shortly after the questionnaire was distributed. A total of 619 surveys were completed and returned, resulting in an overall response rate of 35 percent. This response rate was in line with the 33 percent response rate achieved in the Quarter One 2012 NZDF Ongoing Attitude Survey (NZDF, 2012b).

In order to determine the required sample size the tables outlined in Miles and Shevlin (2001, p. 123) were used. Given that there are three predictors in the hypothesised conceptual model, it was determined that in order to find a small effect size (.02 according to Cohen, 1988) the sample size required was 600 given the following parameters: Alpha = .05, and power .80. This analysis was confirmed using the software programme G power (F. Faul, Erdfelder, Buchner, & Lang, 2009). Thus it was assessed that the study had received enough responses to conduct the analysis.

All aspects of the RNZN were represented. The characteristics of the respondents, using the calculated mean score for each scale, are provided in Table 3-1.

**Table 3-1. Descriptive Analysis**

				<i>Transactional Contracts</i>		<i>Relational Contracts</i>		<i>Affective Commitment</i>		<i>Intent to Leave</i>	
		<i>N</i>	<i>%</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>
Rank	Junior Rate	214	34.6	2.64	.64	3.46	.90	3.17	.81	2.79	1.25
	Senior Rate	186	30	2.35	.61	2.93	.68	3.26	.73	3.17	.93
	Junior Officer	83	13.4	2.15	.45	3.52	.62	3.52	.65	2.52	1.14
	Senior Officer	135	21.8	1.98	.55	3.22	.66	3.66	.78	2.79	1.07
Date Joined	Pre 1980	41	6.6	2.07	.57	3.01	.65	3.67	.85	2.72	.80
RNZN	1980- 1989	87	14.1	2.01	.57	3.17	.72	3.70	.72	3.06	1.03
	1990-99	129	20.8	2.25	.60	3.03	.70	3.36	.62	2.98	1.04
	2000- 2009	261	42.2	2.56	.65	3.12	.71	3.07	.77	3.17	1.10
	Post 2009	98	15.8	2.32	.53	4.10	.67	3.67	.73	1.82	.89
Where are you currently posted?	DNB	380	61.4	2.40	.61	3.31	.81	3.32	.78	2.81	1.12
	Ship	84	13.6	2.50	.61	3.07	.73	3.04	.70	3.25	1.13
	HQ	28	4.5	2.00	.57	3.22	.54	3.72	.79	2.63	.88
	JFNZ HQ	51	8.2	1.94	.62	3.37	.83	3.78	.75	2.73	1.05
	NZDF OTHER	72	11.6	2.29	.70	3.13	.72	3.42	.76	2.88	1.21

Of the respondents 34.6 percent were Junior Rates (n = 214), 30 percent were Senior Rates (n = 186), 13.4 percent were Junior Officers (n = 83), and 21.8 percent Senior Officers (n = 135). 42 percent of respondents joined the RNZN between 2000 and 2009. Also of note is that 60.4 percent of respondents were working in the Devonport Naval Base at the time the survey was administered. In comparison only 13.6 percent were posted to a sea-going ship.



### **3.3 Measures**

The questionnaire developed for this study sought to measure the content of the psychological contract across all levels and areas of the RNZN, and provide relevant data that could be used to investigate the relationship between psychological contract, affective commitment and intention to leave. The survey itself contained four sections: one measuring demographic information and then a separate section for each of the three scales (note transactional and relational contracts were measured together and were separated during data input). Respondents were required to indicate the degree to which they agreed/disagreed with each statement on a five point Likert Scale. In an effort to increase the potential response rate, all four sections were designed to fit on one A4 page, and thus give the perception that it was only a short questionnaire, and that completing it was not going to be overly burdensome. This was in line with the recommendation from Bryman and Bell (2007) that shorter questionnaires tend to receive better response rates than longer ones. A copy of the questionnaire is at Appendix A.

#### **3.3.1 Psychological Contract**

There are a large number of scales and types of measurement for the psychological contract (Freese & Schalk, 2008). However, according to Conway and Briner (2009), two measures are currently in common usage: the first is Rousseau's (2001a) Psychological Contract Inventory (PCI). This was discounted, as it is a relatively comprehensive and long instrument that measures more detail than required for this particular study. The second is the Psychological Contract Scale (PCS) developed by Millward and Hopkins (1998). For this research project, transactional and relational psychological contracts were measured using a scale from Raja et al. (2004), which is an abbreviated version of the measure developed by Millward and Hopkins (1998). The PCS assesses the relational-transactional dimensions of the psychological contract, and produces a sub-scale score for each of these constructs.

The scale contains nine items to measure transactional contracts and nine to measure relational psychological contracts. An example of one of the scale's items is "*I prefer to work a strictly defined set of working hours*". Findings from Raja et al. (2004) emphasised that their revised scale demonstrated good internal reliability with reported Cronbach's Alpha's of .72 and .79 for transactional and relational contracts respectively. Raja et al. (2004) examined the validity of their revised scale by administering both it and the contract items from Rousseau's (2001a) PCI to an independent sample of 103 employees in Pakistan. The PCS correlated .71 and .59 with the relevant Rousseau measures, thus demonstrating evidence for convergent validity (Raja et al., 2004). In this study, Cronbach's Alpha for the transactional contracts scale was .81, and .87 for the relational contracts scale, suggesting good internal reliability.

### **3.3.2 Affective Commitment**

Meyer and Allen's three-component model is becoming the principal conceptualisation for organisation commitment (Clugston, 2000), and others have highlighted that it is continuing to gain support (Cable, 2008; Jaros, 2007). Although Allen and Meyer (1996) consider three components of organisation commitment, the literature review suggested that of the three, affective commitment is the most strongly related to the state of the psychological contract (Herriot et al., 1997). It has also been suggested that the predictive power of commitment on turnover is predominantly based on affective commitment (Meyer et al., 1993). The measure includes such items as *"I would be happy to spend the rest of my career in this organisation"* and *"This organisation has a great deal of personal meaning to me"*. Allen and Meyer (1997) investigated the reliability of their affective commitment scale as reported from 40 separate studies. Based on these 40 studies they report a median reliability for their six-item affective commitment scale of .85. Casper, Martin, Buffardi, & Erdwins (2002) reported a coefficient alpha of .78 for affective commitment in their study, and more recently Blomme et al. (2010) reported a figure of .90 in their study. Cronbach's alpha for affective commitment in this study was .82, indicating consistency with other studies and good internal reliability.

### **3.3.3 Intention to Leave**

A five-item scale developed by Bozeman and Perrew (2001) based on the work of Mowday, Koberg, and MacArthur (1984) was used to measure Intent to leave. The scale contains both positively and negatively worded items, and includes items such as *"I will probably look for a new job in the near future"*, and *"I am not thinking about quitting my job at the present time"*. Bozeman and Perrew (2001) reported coefficient alphas of .94 and .90 for two different samples in their study. The Cronbach's alpha for this study was .90.

## **3.4 Procedure**

### **3.4.1 Communication and Survey Distribution**

Personnel in the RNZN do not have access to the Internet when posted to a sea-going ship. This meant an online survey was not possible. It was also assessed that a hard copy postal questionnaire would yield a higher response rate than an online survey, so this research was therefore conducted using a hard copy postal questionnaire. The questionnaire was individually addressed to uniformed members of the RNZN and a pre-addressed return envelope was enclosed. The information sheet made it clear that all responses would be confidential.

The day the survey was posted, a notice announcing the research project was placed in the announcements section of the RNZN intranet home page. A second announcement was placed

on the RNZN home page two weeks later reminding participants to complete and return the survey. A copy of both of these announcements is attached as Appendix B.

### **3.4.2 Data Collection**

Originally it was planned to conduct the survey over a three-week period, but due to the difficulty of mail reaching ships at sea, this was later extended to six weeks. A pay adjustment across the NZDF was announced on Tuesday 18 September. No further surveys were collected after this date to minimise the impact that this announcement may have had on participant's responses.

### **3.5 Research Ethics**

All rights of participants were safeguarded according to the professional code of conduct for human research at Massey University. Participants were informed that returning the questionnaire implied consent, and that all participation was voluntary. It was clearly outlined on the questionnaire that all participants had the right to decline to participate or to refuse to answer any particular question. As only minimal demographic data was collected, confidentiality and anonymity of all participants was assured. No data regarding the individual identity of any participant was collected at any stage.

The Massey University Ethics Screening Questionnaire to Determine Approval Procedure was completed, and highlighted two ethical considerations that needed to be taken into account. The first was around 'risk of harm to the researcher'. As the researcher was an employee of the organisation he was intending to conduct research within, there was and remains a possibility that the findings of this research may damage his reputation, and potentially harm his future career in the RNZN. The second ethical risk concerned the researcher's position within the RNZN. Due to his rank, there could be considered a power relationship between the researcher and some of the participants (Massey University, 2010). Due to the chosen data collection method, the risk was assessed as low.

A full ethics application was submitted, and then fully considered, and approved by the Massey University Human Ethics Committee. A copy of the human ethics approval letter is included as Appendix C.

Defence Force Order (DFO) 21/2002 *Authority to Conduct Personnel Research*, outlines the approval requirements to be met prior to conducting personal research in the NZDF. A full application was submitted and considered by the Deputy Chief of Navy in consultation with the RNZN's Senior Psychologist. As part of this approval process, the researcher was required to show that he met general standards of competency, that the research had merit, would adhere to

principles of the Privacy act, and comply with the Ethical Guidelines for Personnel Research in the NZDF. The Deputy Chief of Navy approved the research on 06 July 2012. A copy of the approval letter is attached as Appendix D.

## CHAPTER 4 – DATA ANALYSIS

### 4.1 Data Analysis Overview

SPSS 18.0 and AMOS 20 were used for data analysis and the Structural Equation Model (SEM). The results from the paper surveys were manually entered into SPSS. Descriptive statistics were then used to identify outliers that may have resulted from possible data entry errors (or in the case of some demographic variables, participant error). Reliability tests were performed using Cronbach's alpha to ensure internal reliability. A principal component analysis (PCA) was then run to determine which observed variables were associated with each latent variable or construct. A confirmatory factor analysis (CFA) in AMOS was then conducted for each scale to assess the psychometric properties. Finally using the results from the PCA and the CFA, AMOS was used to run a CFA to examine the reliability and validity of the measurement model without identifying the directional relationship among the factors. The hypothesised model was then drawn, and the underlying directional relationships between transactional contracts, relational contracts, affective commitment, and intention to leave were examined.

SEM was utilised to examine the goodness of fit and provide a tool for modification to enhance the hypothesised model. Since the fit that was obtained was acceptable it was assessed that the identified model fit the empirical data i.e. both the comparative fit index (CFI) and the Tucker-Lewis index (TLI) were greater than .90, and the Root Mean Square Error of Approximation (RMSEA) was smaller than .8 (Schumacker & Lomax, 2010). The final model demonstrates a graphical view of the inferred causal relationships between transactional contracts, relational contracts, affective commitment, and intention to leave.

### 4.2 Data Entry

The researcher entered all 619 responses to the survey manually into SPSS. There were two reverse-scored items for the transactional contracts scale, three for the affective commitment scale, and three for the intention to leave scale. These eight items were all reverse coded in SPSS prior to data analysis commencing.

### 4.3 Missing Data

Missing data can occur for a variety of reasons including participants accidentally missing questions or exerting their right not to answer a particular question (Field, 2009). Missing data can create statistical problems (Field, 2009), particularly when analysing a SEM (Schumacker & Lomax, 2010). Twenty one participants provided responses with either insufficient or missing data. In order to avoid the issues around missing data these participants were excluded from the analysis. This accounted for only approximately one percent of responses and reduced the sample to 598 participants.

#### 4.4 Data Normality and Linearity

The theory behind inferential statistics is based on the assumption that data is normally distributed (Schumacker & Lomax, 2010). Hypothesis testing also relies on this assumption, and in particular, general linear models assume that errors in the models are normally distributed (Blunch, 2008; Field, 2009). Non-normality biases parameter estimates, test results, as well as fit measures (Blunch, 2008).

The first step taken to assess the data was to identify any outliers. Box plots were constructed for the four latent variables, and as a result a number of potential outliers were identified. Z-scores were then calculated which identified five outliers with scores of +/- 3.0. As outliers influence the mean, standard deviation, and correlation coefficient values, they must be dealt with (Schumacker & Lomax, 2010). Options for dealing with outliers include removing the case (Cox et al., 2005), transforming the data, or changing the score (Field, 2009). On further investigation of the raw data, it was obvious that these participants had not taken the survey seriously (for example ticking either all '1s' or all '5s'), and had filled in the survey as rapidly as possible. Subsequently these cases were deleted from the data set. The removal of these outliers made the final sample size 594.

In order to assess the normal distribution of the data set SPSS was used to produce Table 4-1.

**Table 4-1. Descriptive, Skewness and Kurtosis**

	Affective Commitment	Intent To Leave	Transactional Contracts	Relational Contracts
Mean	3.3777	2.8525	2.3262	3.2707
Std. Deviation	.76054	1.11688	.61862	.77793
Skewness	-.159	.132	.338	-.127
Std. Error of Skewness	.100	.100	.100	.100
Kurtosis	-.529	-.803	-.347	-.130
Std. Error of Kurtosis	.200	.200	.200	.200

All values of skewness and kurtosis were converted to z-scores to assess their significance. A number of the results indicated that the distribution of the sample is significantly different from a normal distribution. In large samples it is generally accepted that significance tests of Skewness and Kurtosis should not be used. This is due to the problem that small standard errors

are likely to be significant in large samples, even when skew and kurtosis is not too different from normal (Blunch, 2008; Field, 2009).

The Kolmogorov-Smirnov and the Shapiro-Wilk tests were then carried out. These tests also showed that the deviations from the normal distribution were significant. Again due to the large sample size it is very easy to get significant results from small deviations from normality, so this significance test does not automatically suggest the deviation from normality is enough to prejudice further statistical analysis (Field, 2009).

**Table 4-2. Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Intent To Leave	.064	594	.000	.968	594	.000
Affective Commitment	.081	594	.000	.987	594	.000
Transactional Contracts	.085	594	.000	.984	594	.000
Relational Contracts	.048	594	.003	.993	594	.008

a. Lilliefors Significance Correction

Central limit theorem holds that in big samples, the sampling distribution of the mean can be approximated by the normal distribution regardless of the shape of the distribution of the individual values in the population (Blunch, 2008; Levine, Krehbiel, & Berenson, 2000). In summary, it is assessed that the skewness and kurtosis scores are within an acceptable range (i.e. less than +/- 1) and that the data is normally distributed for the purpose of further analysis.

## CHAPTER 5 – RESULTS

### 5.1 Principal Component Analysis

When existing scales are combined into the same model, it is important to analyse the content of the scales to ensure that they do not overlap, or to put it another way, it is important to initially check for face validity (Hair et al., 2006). Essentially, if many items are highly correlated, it becomes difficult to estimate the distinctive impact of a particular variable, if it always moves in combination with other causal variables (Bollen, 1989). This problem is known as multicollinearity (J. Miles & Shevlin, 2001). A simple method to reduce the effects of multicollinearity is to carry out a factor analysis on the predictor variables to reduce them to a subset of uncorrelated factors (Field, 2009).

On closer observation of the four scales in the survey, it becomes apparent that a number of the items on separate scales are similar. For example the affective commitment scale using the item *“this organisation has a great deal of personal meaning to me”* and the transactional contracts scale using a similar item *“my job means more to me than just a means of paying the bills”*. In order to understand the effects these similarities would have on the overall analysis, a Principal Component Analysis (PCA) was conducted on the 29 items that made up the scale with orthogonal rotation (varimax) to assess the loadings of each scale item on each factor, and therefore identify any concerns.

The Kaiser-Meyer-Olkin measure verified the sampling adequacy for the analysis,  $KMO = .91$  (excellent according to Field, 2009). Bartlett’s test of sphericity  $\chi^2 (406) = 8031.84, p < .001$ , indicated that correlations between items were sufficiently large for PCA. The analysis was run restricting the findings to four components, and in combination these four factors explained 53.64% of the variance. Table 5-1 shows the factor loadings after rotation.

As the Table demonstrates, this analysis highlighted a number of potential issues. In particular two relational contract items actually had a higher factor loading on affective commitment than on relational contracts (*“I feel part of a team in my organisation”*, and *“To me, working in this organisation is like being a member of a family”*). Variables that cross load (load highly on two or more factors) are usually deleted (Hair et al., 2006). As a result, both these items were removed from further analysis, as well as *“My organisation develops/rewards employees who work hard to exert themselves”*, and *“I feel my organisation reciprocates (returns) the effort put in by employees”*, which also loaded heavily on affective commitment (.43 and .44 respectively). In addition two transactional contract items (*“I do not identify with my organisation’s goals”*, and *“My job means more to me than just a means of paying the bills”*) did not load sufficiently on any factor, and were also excluded from any further analysis.



**Table 5-1. Summary of Exploratory Factor Analysis Results**

Item	Description	Component			
		Aff Comm	Intent to Quit	Rel Cont	Tran Cont
AC1	I would be happy to spend the rest of my career in this organisation	<b>.474</b>	-.564	.047	-.169
AC2	I really feel as if this organisation's problems are my own	<b>.465</b>	-.110	.023	-.144
AC3	I do not feel a strong sense of belonging to my organisation	<b>.705</b>	-.149	.145	-.173
AC4	I do not feel emotionally attached to this organisation	<b>.732</b>	-.162	-.007	-.232
AC5	I do not feel like part of the family at my organisation	<b>.731</b>	-.052	.167	-.046
AC6	This organisation has a great deal of personal meaning to me	<b>.649</b>	-.181	.094	-.170
ITL1	I will probably look for a new job in the near future	-.156	<b>.755</b>	-.296	.133
ILT2	At the present time I am actively searching for another job in a different organisation	-.146	<b>.730</b>	-.343	.073
ITL3	I do not intend to quit my job	-.237	<b>.793</b>	-.125	.028
ILT4	It is unlikely that I will actively look for a different organisation to work for in the next year	-.092	<b>.807</b>	-.209	-.045
ILT5	I am not thinking about quitting my job at the present time	-.123	<b>.810</b>	-.197	-.008
RC1	I expect to grow in my organisation	.161	-.250	<b>.641</b>	-.166
RC2	I feel part of a team in my organisation	<b>.578</b>	-.091	<b>.409</b>	-.077
RC3	I have a reasonable chance of promotion if I work hard	.073	-.150	<b>.839</b>	.021
RC4	To me, working in my organisation is like being a member of a family	<b>.660</b>	-.057	<b>.419</b>	-.046
RC5	My organisation develops/rewards employees who work hard to exert themselves	<b>.425</b>	-.188	<b>.588</b>	.020
RC6	I expect to gain promotion in this organisation with length of service and effort to achieve goals	.049	-.195	<b>.821</b>	.053
RC7	I feel my organisation reciprocates (returns) the effort put in by employees	<b>.439</b>	-.327	<b>.509</b>	-.017
RC8	My career path in my organisation is clearly mapped out	.180	-.201	<b>.558</b>	-.011
RC9	I am motivated to contribute 100 % to my organisation in return for future employment benefits	.378	-.304	.392	-.085
TC1	I work only the hours I am required to work and no more	-.096	-.090	.015	<b>.635</b>
TC2	My commitment to my organisation is defined by my conditions of service	-.066	.051	.087	<b>.723</b>
TC3	My loyalty to my organisation is specific to my conditions of service	-.089	.135	.071	<b>.733</b>
TC4	I prefer to work a strictly defined set of working hours	-.083	.013	-.113	<b>.621</b>
TC5	I only carry out what is necessary to get the job done	-.190	-.021	.088	<b>.653</b>
TC6	I do not identify with my organisation's goals	-.481	.160	-.168	.382
TC7	I work to achieve the purely short-term goals of my job	-.115	.060	-.106	<b>.643</b>
TC8	My job means more to me than just a means of paying the bills	-.408	.238	-.207	.343
TC9	It is important to be flexible and work irregular work hours if necessary	-.293	.074	-.209	<b>.433</b>
Eigenvalues		8.740	3.360	1.950	1.500
% of Variance		30.120	11.58	6.720	5.200

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Note. Factor Loadings over .40 appear in bold.

## 5.2 Confirmatory Factor Analysis

Prior to assessing the final measurement model, it is essential to ensure that the measurement of each latent variable is psychometrically sound (Byrne, 2001). It is also a requirement to establish the number of indicators that are required to measure each construct, by calculating the extent to which the observed variables are correlated to their underlying latent factors (Byrne, 2001). Thus, one of the principal benefits of CFA is the capacity to test the construct validity of a proposed measurement theory (Hair et al., 2006).

In order to improve the confirmatory factor model fit, CFA was conducted with AMOS 20 for each scale. Each scale was examined with each item loaded on the factor it was designated to measure. According to Hair et al. (2006), minimal factor loadings should be above .50. This was deemed exceptionally strict and a level of .40 was set for this study to ensure as many scale items as possible were included in the final analysis. A further six items were removed from further analysis as a result of the CFA. Of the 29 items in the original survey, 17 were used in the final measurement model. Table 5-2 presents the overall construct reliability once the other 12 items were removed.

**Table 5-2. Construct Reliability**

				Un-				
		Construct	Standardised	Standardised	S.E.	C.R.	<i>P</i>	<i>a</i>
TC1	<--	Transactional	.469	1.000				.740
TC2	<--	Contracts	.857	1.762	.169	10.435	***	
TC3	<--		.806	1.592	.151	10.570	***	
TC5	<--		.424	.799	.103	7.746	***	
RC1	<--	Relational	.628	1.125	.109	10.295	***	.793
RC 3	<--	Contracts	.853	1.847	.159	11.624	***	
RC6	<--		.867	1.663	.143	11.636	***	
RC8	<--		.486	1.000				
AC3	<--	Affective	.802	1.165	.074	15.752	***	.803
AC4	<--	Commitment	.788	1.267	.081	15.656	***	
AC5	<--		.692	1.000				
AC6	<--		.574	.900	.074	12.161	***	
ITL1	<--	Intention to	.789	.902	.044	20.665	***	.894
ITL2	<--	Leave	.796	.951	.046	20.887	***	
ITL3	<--		.767	.857	.043	19.963	***	
ITL4	<--		.808	.989	.046	21.286	***	
ITL5	<--		.803	1.000				

Notes: \*\*\*  $p < .000$

Table 5-3 presents the descriptive statistics including the Pearson correlation coefficient, means, and standard deviations among all variables in the study once the 12 items mentioned above had been removed.

**Table 5-3. Descriptive Statistics and Correlation**

Variable	M	SD	1	2	3	4	5	6	7
1. Rank	2.243	1.143	-						
2. Date Joined RNZN	3.459	1.117	-.413**	-					
3. Where are you currently posted?	1.946	1.433	.324**	-.178**	-				
4. Transactional Contracts	6.208	2.040	-.334**	.251**	-.132**	-			
5. Relational Contracts	9.507	2.692	-0.072	.397**	-0.060	0.015	-		
6. Affective Commitment	10.216	2.356	.220**	-0.074	.136**	-.317**	.328**	-	
7. Intention to Leave	11.288	4.420	-0.054	-.174**	-0.015	.086*	-.493**	-.371**	-

\*\* . Correlation is significant at the .01 level (2-tailed).

\* . Correlation is significant at the .05 level (2-tailed).

### 5.3 Common Method Bias Analysis.

Due to the cross sectional nature of the research design, and the use of self-report questionnaires, this study was vulnerable to artificial inflation of the correlations by common method variance (Lindell & Whitney, 2001; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Meta-analysis from Doty and Glick (1998) found that common method variance results in a 26% bias in the observed relationships among constructs. Although cause for concern, this level of bias does not invalidate many research findings (Doty & Glick, 1998).

A potential remedy for common method bias is to separate the measurement of the predictor and outcome variables. One way to achieve this is to introduce a temporal separation by designing the study to incorporate a time lag between the measurement of the predictor and outcome variables (Podsakoff et al., 2003). This was not feasible for the present study due to the high cost and additional time associated with administering two separate questionnaires.

In order to minimise common method bias, Podsakoff et al. (2003) recommend great care is taken in designing the questionnaire, in addition to guaranteeing anonymity of participants.

Both of these steps were taking during the research design phase. Podsakoff et al. (2003) then recommend a single-common method factor approach be taken to statistically assess common method biases.

As a first step, the Harmon's single-factor test was conducted in SPSS using PCA with all 17 items used in the final measurement model loaded onto a single factor. On examining the unrotated factor solution, the single factor only accounted for 31.86% of the total variance. Despite this, Podsakoff et al. (2003) point out that the Harmon's single-factor test is an insensitive test, and that this result is not evidence that the measures are free from common method variance.

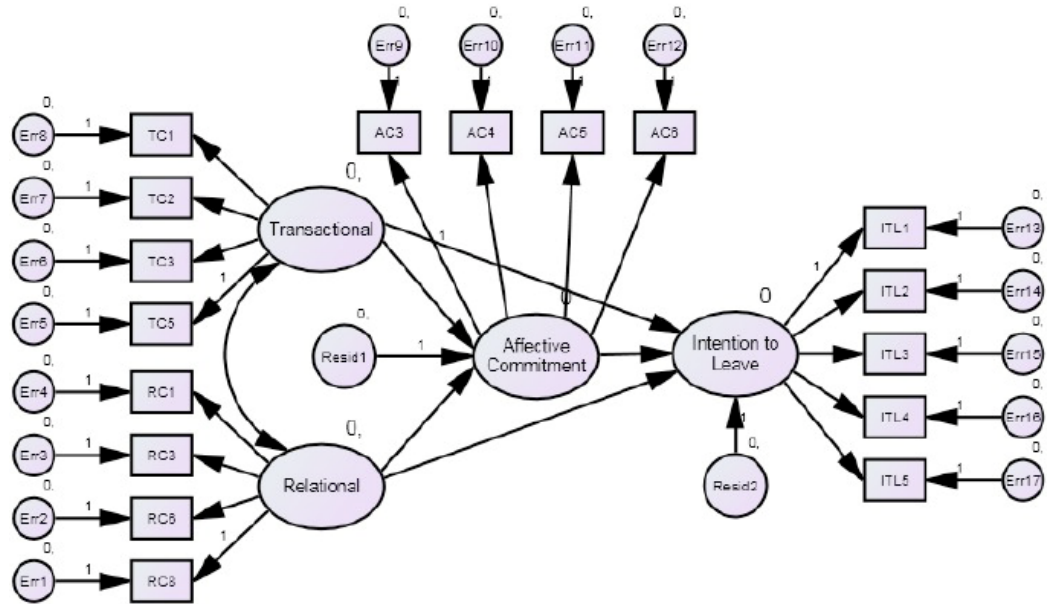
Next, a common latent factor test was used to estimate variance using a CFA model in AMOS. This test found no common variance, providing further evidence that the measurement model satisfies discriminant validity. A marker variable test (Lindell & Whitney, 2001) was not conducted, as no suitable marker variable was collected in the original survey that was theoretically unrelated to the other variables tested in this study.

#### **5.4 Model Testing**

The prime objective of testing the model is to determine the extent to which the hypothesised model fits the sample data (Byrne, 2001). In keeping with the guidance offered by Anderson and Gerbing (1988), a two-stage approach was adopted. For stage one, CFA using AMOS 20 was conducted on all factors and their items in the model. The CFA model yielded acceptable fit CFI = .932, IFI = .933, RMSEA = .067, and all items loaded significantly onto their designated factor. Once the measurement model has been proven to be operating sufficiently, confidence in the findings related to the final hypothesised model is increased (Byrne, 2001). After confirming the factor structure by CFA, the path analysis was then conducted.

Postulated casual relations among variables in a hypothesised SEM are required to be grounded in theory and empirical research (Byrne, 2001). The present study proposed that the content of the psychological contract would be a significant predictor of intention to leave and that this effect would be mediated by affective commitment. The resulting initial SEM model and AMOS Output is presented below:

**Initial Model**



**Figure 5-1. Initial Structural Equation Model**

**Table 5-4. Initial AMOS Output: Notes for Model**

Computation of degrees of freedom	
Number of distinct sample moments:	170.000
Number of distinct parameters to be estimated:	57.000
<b>Result</b>	
Minimum was achieved	
Chi-Square	411.808
Degrees of freedom	113.000
Probability level	0.000

**Table 5-5. Initial AMOS Model Fit Output**

$\chi^2$	DF	P	CMIN/						
			DF	IFI	TLI	CFI	RMSEA	PCLSE	ECVI
411.808	113	.000	3.644	.933	.918	.932	.067	.000	.887

The initial model yielded a significant  $\chi^2 = 411.808$  (df= 113),  $\rho = .000$  and a CMIN/DF of 3.644, however, as the sensitivity of this statistic is known to be heavily influenced by sample size, the  $\chi^2$  provides little guidance (Hair et al., 2006). According to Byrne (2001), more appropriate indices of fit in large samples include the CFI, and RMSEA.

The CFI (.932) suggests that this model is relatively well fitting. In addition the RMSEA value of .067 is well within the recommended range of acceptability (.05 to .08) (Byrne, 2001; Schumacker & Lomax, 2010). Further evidence that the model is a good fit is provided in a table produced by Hair et al. (2006) which suggests that (given the number of observed variables in this model and the sample size) an RMSEA of less than .07 coupled with a CFI of .92 or higher is a characteristic of a good fit. In addition the TLI (.918) is very close to the .92 cut off recommended by Hair et al. (2006) for a sample of this size. The ECVI value is also reported in the table to enable a comparison with any revised model. The model having the smallest ECVI value exhibiting the greatest potential for replication (Byrne, 2001). In addition a review of the modification indices provided no evidence of misfit in the model.

Regression weights of the initial model are presented below in Table 5-6. Review of the regression weights found that the direct impact of transactional contracts on intention to leave is poor with the unstandardised regression weight indicating that the relationship was not significant ( $\gamma = .079$ ,  $\rho = .485$ ). As a result, Hypothesis 4, which stated that transactional contracts have a direct impact on an employee's intention to leave, was rejected.

**Table 5-6. Initial AMOS Output: Un-standardised and Standardised Estimates**

<b>Structural Paths (Regression Weights)</b>						
			<b>Estimate</b>	<b>S.E.</b>	<b>C.R.</b>	<b><math>\rho</math></b>
Aff Commitment	<---	Transactional	-.717	.109	-6.589	***
Aff Commitment	<---	Relational	.474	.069	6.907	***
Intention to Leave	<---	Aff Commitment	-.337	.067	-5.063	***
Intention to Leave	<---	Relational	-.766	.097	-7.9	***
Intention to Leave	<---	Transactional	.079	.113	.699	.485
<b>Standardised Regression Weights</b>						
Aff Commitment	<---	Transactional	-.38			
Aff Commitment	<---	Relational	.364			
Intention to Leave	<---	Aff Commitment	-.26			
Intention to Leave	<---	Relational	-.454			
Intention to Leave	<---	Transactional	.032			
<b>Factor Covariance</b>						
Transactional	<-->	Relational	.009	.013	.685	.493
<b>Factor Correlation</b>						
Transactional	<-->	Relational	.033			

\*\*\* Probability <.000

Baron and Kenny (1986) outline a series of regression equations for testing the linkages of the mediation model. In order to test Hypothesis 6 (affective commitment mediates the effect of psychological contract content on intention of employees to leave) AMOS 20 was used to perform these equations. Tables 5-7 and 5-8 outline the results from these tests.

**Table 5-7. Does Affective Commitment Mediate the Relationship Between Relational Contracts and Intention to Leave?**

				<b>Estimate</b>	<b>S.E.</b>	<b>C.R</b>	<b>ρ</b>
Eq1	Aff Commit	<--	Relational	.467	.072	6.440	***
	Intention to						
Eq2	Leave	<--	Relational	-.916	-.102	-9.006	***
	Intention to						
Eq3	Leave	<--	Relational	-.754	.095	-7.959	***
	Leave	<--	Aff Commit	-.353	.059	-5.961	***

\*\*\* Probability < .001

**Table 5-8. Does Affective Commitment Mediate the Relationship Between Transactional Contracts and Intention to Leave?**

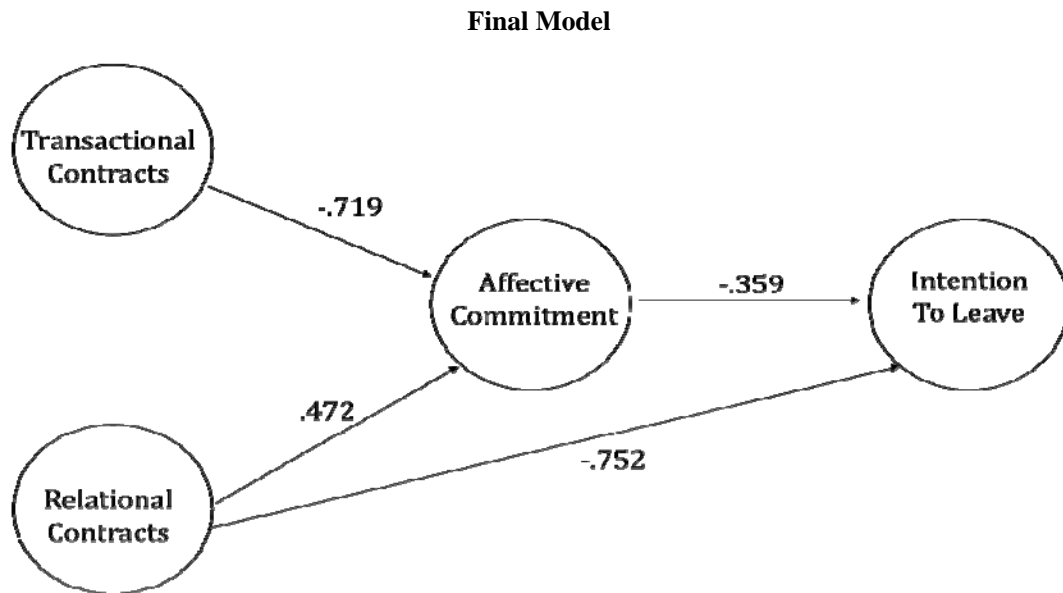
				<b>Estimate</b>	<b>S.E.</b>	<b>C.R</b>	<b>ρ</b>
Eq1	Aff Commit	<--	Transactional	-.697	.112	-6.239	***
	Intention to						
Eq2	Leave	<--	Transactional	.267	.121	2.203	.028
	Intention to						
Eq3	Leave	<--	Transactional	-.136	.121	-1.127	.260
	Leave	<--	Aff Commit	-.580	.069	-8.433	***

\*\*\* Probability <.001

To establish mediation, the effect of the independent variable on the dependant variable must be less in the third equation than in the second (Baron & Kenny, 1986). As Table 5-7 demonstrates, the relationship between relational contracts and intention to leave is reduced when affective commitment is included in the equation as an additional predictor. Despite this, the relationship between relational contracts and intention to leave remains significant in this third equation, which supports only partial mediation (Hair et al., 2006).

Table 5-8 demonstrates that the relationship between transactional contracts and intention to leave becomes non significant when affective commitment is included in the equation as an additional predictor, thus full mediation is supported in this case (Hair et al., 2006).

As demonstrated by the regression weights in Table 5-6, the remaining paths in the model are supported. However, in order to achieve a more robust result, the initial model was modified with the path between transactional contracts and intention to leave removed. The final model and a summary of the AMOS output statistics are presented below.



**Figure 5-2. Regression Weights of Final Model**

**Table 5-9. AMOS Output (Final Model): Notes for Model**

<b>Computation of degrees of freedom</b>	
Number of distinct sample moments:	170
Number of distinct parameters to be estimated:	56
<b>Result</b>	
Minimum was achieved	
Chi-Square	412.292
Degrees of freedom	114
Probability level	.000



**Table 5-10. AMOS Output (Final Model): Goodness of Fit Statistics**

<b>Model</b>	<b>NPAR</b>	<b>CMIN</b>	<b>DF</b>	<b>P</b>	<b>CMIN/DF</b>
Default Model	56.000	412.292	114.000	0.000	3.617
Saturated Model	170.000	0.000	0.000		
Independence Model	34.000	4545.768	136.000	0.000	33.425

<b>Baseline Comparisons</b>					
	<b>NFI</b>	<b>RFI</b>	<b>IFI</b>	<b>TLI</b>	<b>CFI</b>
<b>Model</b>	<b>Delta1</b>	<b>rho1</b>	<b>Delta2</b>	<b>rho2</b>	
Default Model	0.909	0.892	0.933	0.919	0.932
Saturated Model	1.000		1.000		1.000
Independence Model	0.000	0.000	0.000	0.000	0.000

<b>RMSEA</b>					
<b>Model</b>	<b>RMSEA</b>	<b>LO 90</b>	<b>HI 90</b>	<b>PCLOSE</b>	
Default Model	0.066	0.060	0.073	0.000	
Independence Model	0.234	0.228	0.240	0.000	

<b>ECVI</b>					
<b>Model</b>	<b>ECVI</b>	<b>LO 90</b>	<b>HI 90</b>	<b>MECVI</b>	
Default Model	0.884	0.786	0.995	0.890	
Saturated Model	0.573	0.573	0.573	0.591	
Independence Model	7.780	7.415	8.158	7.784	

The estimation of the revised model yielded an overall  $\chi^2 (114) = 412.292$ , CFI = .932, and RMSEA = .066, with an ECVI value of .884. This improvement of model fit was trivial when compared to the initial model (and not significant  $\Delta\chi^2_{(1)} = .484$ ). There was also no noticeable improvement in the ECVI index. In addition there were no modification indices associated with structural paths present in the output, and no outstanding values suggestive of model misfit.

Notwithstanding this, the removal of the path between transactional contracts and intention to leave meant that all parameter estimates in the final model are statistically significant and meaningful. The structural path regression weights associated with the final model are presented in Table 5-11.

**Table 5-11. AMOS Output (Final Model): Unstandardised and Standardised Estimates**

<b>Structural Paths (Regression Weights)</b>						
			<b>Estimate</b>	<b>S.E.</b>	<b>C.R.</b>	<b>P</b>
Aff Commitment	<---	Transactional	-.719	.109	-6.604	***
Aff Commitment	<---	Relational	.472	.068	6.898	***
Intention to Leave	<---	Aff Commitment	-.359	.059	-6.069	***
Intention to Leave	<---	Relational	-.752	.094	-7.962	***
<b>Standardised Regression Weights</b>						
Aff Commitment	<---	Transactional	-.381			
Aff Commitment	<---	Relational	.363			
Intention to Leave	<---	Aff Commitment	-.276			
Intention to Leave	<---	Relational	-.446			
<b>Factor Covariance</b>						
Transactional	<-->	Relational	.008	.012	.645	.519
<b>Factor Correlation</b>						
Transactional	<-->	Relational	.031			

\*\*\* Probability <.000

The results of the final model confirmed Hypothesis 5 in that that relational contracts have a strong negative and significant direct impact on intention to leave ( $\gamma = -.752$ ,  $\rho = .000$ , and  $\beta = -.446$ ), indicating that when relational contracts goes up by 1, intention to leave goes down by .752. As a result, the findings suggest that the relational aspects of the psychological contract have a greater impact on intention to leave than either transactional contracts or affective commitment.

The model also supports Hypothesis 1 and 2 with the path between transactional contracts and affective commitment demonstrating a particularly strong linkage ( $\gamma = -.719$ ,  $\rho = .000$ ,  $\beta = -.381$ ). Relational contracts were also shown to be a significant predictor of affective commitment ( $\gamma = .472$ ,  $\rho = .000$ ,  $\beta = .363$ ).

In addition Hypothesis 3 predicting that affective commitment would have a direct impact on intention to leave was also negative and significant, but perhaps not to the same extent as suggested in previous literature ( $\gamma = -.359$ ,  $\rho = .000$ ,  $\beta = -.276$ ).

Finally, a review of the squared multiple correlations in the AMOS output suggest that the latent variables of affective commitment and relational contracts account for 36% of the variance associated with intention to leave.

## CHAPTER 6 – DISCUSSION

Recruiting and holding onto the right staff is of critical importance for the success of many organisations (Simon et al., 2011). This is particularly important in the Navy where it is difficult to “buy” the required personnel to operate a warship at sea, and often years of training and development are required to gain the skills required to be an effective member of a ship’s company. This research has served two purposes: (a) it examined the relationship between the contract forms of relational and transactional psychological contracts and intention to leave, and (b) it examined the mediating role of affective commitment in the relationship between psychological contract orientation and intention to leave.

In line with earlier findings (Alcover et al., 2012; Hamilton & von Treuer, 2012; Raja et al., 2004; Rousseau, 1990), relational contracts were negatively related to intention to leave, and positively related to affective commitment. Of interest, the relationship between relational contracts and intention to leave was stronger in this study than in any other known previous study. Consistent with Rousseau’s (1990) earlier findings, this study demonstrates that employees who demonstrate a high relational orientation are more inclined to remain with the organisation for longer.

The causal relationship tested in the present study shows that transactional contracts are a negative, significant predictor of affective commitment, although there was no significant relationship between a transactional orientation and intention to leave when affective commitment was included in the model. This finding differs from other similar studies (Alcover et al., 2012; Hamilton & von Treuer, 2012; Raja et al., 2004). However, it is in line with analysis from Rousseau (2011) who suggests that, as a general rule, relational contracts are linked with positive outcomes, and transactional contracts are inclined to correlate inconsistently, but in general are associated with more negative outcomes. Rousseau (1990) found that transactional obligations were unrelated to turnover. This finding is also supported in a meta-analysis by Li and colleagues (2009, cited in Rousseau, 2011) that showed that employee relational obligations are positively related to affective commitment and negatively related to turnover intention, yet transactional obligations are less stable and tend to correlate inconsistently.

This result does conflict with findings from Herriot et al. (1997) who suggest that organisations are at risk of underestimating the underlying transactional nature of the employment relationship. As demonstrated in Table 3-1, the present study suggests that in the RNZN employees place a higher level of importance on the relational aspects of their employment relationship than on the transactional component.

In line with other recent studies, affective commitment was found to mediate the relationship between psychological contract orientation and intention to leave (Alcover et al., 2012; Blomme et al., 2010). In this study, affective commitment partially mediated the relationship between relational contracts and intention to leave, and fully mediated the relationship between transactional contracts and intention to leave. While only a single mediation variable was considered in this study (affective commitment), this could be considered an initial step to the insertion of other variables that may help explain the complex relationship between psychological contract orientation and key outcome variables such as turnover (Alcover et al., 2012).

The results also show that affective commitment has a direct effect on intention to leave, although this relationship was not as strong as in other recent studies (Alcover et al., 2012; Blomme et al., 2010). What the present study shows is that although affective commitment is an important predictor, relational contracts are a more important predictor of intention to leave in the Navy.

## **6.1 Descriptive Statistics**

Although not the primary focus of this study, there are certain results obtained from the data that warrant mentioning.

Previous authors have suggested that, in general, the employment relationship is moving from the traditional relational contract to a more transactional focus (C. Atkinson, 2002; Herriot et al., 1997). Results have shown (see Table 3-1, page 48) that this shift does not appear to have occurred in the Navy with all ranks reporting notably higher scores on the relational contracts scale than the transactional contracts scale. This would suggest that in the Navy, employees still place importance on the relational side of the employment relationship.

A number of authors (C. Atkinson & Cuthbert, 2006; Herriot et al., 1997; Rousseau, 1989; Sels et al., 2000) have hypothesised and found that those in senior management positions have a more relational contract than those at lower levels in an organisation. Table 5-3 (see page 59) shows that there was no significant correlation between rank and relational contracts. Furthermore, as Table 3-1 demonstrates senior officers had a lower mean score on the relational contracts scale than both junior ratings and junior officers. A potential explanation is the socialisation process that new naval recruits go through during their first six months of service. This is supported by Table 3-1, which shows personnel who joined the Navy post 2009 had the highest overall score on the relational contracts scale. Personnel who joined the Navy post 2009 have recently been through the intense socialisation process that is basic training. In line with the findings from Thomas and Anderson (1998), this would support the idea that personnel

appear to emphasise the relational aspects of the psychological contract on completion of basic military training. As new recruits move away from the supportive environment of the Recruit Training School, they are required to be more independent and take more responsibility for their own career and personal development. As the results in Table 3-1 suggest, and contrary to what is suggested in the literature, the longer employees remain in the Navy, the less emphasis they appear to place on the relational aspects of their employment agreement.

Further evidence in support of this idea is provided in Table 3-1 that shows that personnel that joined the Navy prior to 1980 had the lowest overall score on the relational contracts scale. A possible explanation for this is that after the civilisation project (discussed in Chapter 1), these personnel perceived that their jobs were not as secure as they once thought, and therefore their priorities changed, and they developed a more transactional orientation towards the employment relationship.

## **6.2 Theoretical and Managerial Implications**

The present study contributes to the psychological contract literature by presenting a model that explains the relationship between psychological contract orientation, affective commitment and intention to leave in the Navy. The majority of previous research has examined the effect of psychological contract breach or violation on key behavioural outcomes. The present study, however, suggests that the relational aspects of the psychological contract also have an important role to play in an employee's intention to leave. Perhaps most importantly, the relational aspects of the psychological contract had a larger effect on intention to leave than affective commitment.

The findings from this study can help in the development of HRM retention policies in the RNZN. Traditionally employers focused on developing a long-term employment relationship, including job security and a good chance of promotion. The modern fiscal environment, and the ever-increasing pressure to do more with less, coupled with future economic uncertainty make such loyalty unsuitable (Aggarwal & Bhargava, 2009; Rousseau, 2011). It is therefore unlikely that there will be a return to the twentieth century style paternalistic employment relationship (Clarke & Patrickson, 2008). As a result, there has been much discussion of a move from the old to the new employment relationship (see for example Coyle-Shapiro & Kessler, 2000, De Meuse et al., 2001). The results of this study clearly indicate that in the RNZN, the focus should shift to enhancing the relational aspects of the employment relationship in order to reduce an employee's intention to leave. A number of authors have proposed strategies to improve the relational aspects of an employment agreement given the financial restrictions that many contemporary organisations face. Potential strategies to enhance the relational aspects of the employment agreement in the Navy are outlined below.

As highlighted by Conway and Briner (2009), there are a large number of factors outside of an organisation's control that affect the type of psychological contract an employee wishes to hold with their employer. One method of reducing turnover over the long-term may be to develop an HRM strategy that focuses on recruiting employees who have an existing relational orientation. A number of organisations, including the Navy, frequently carry out psychometric testing as part of their recruitment process. Therefore, this study suggests that the psychological contract orientation of an employee should be assessed during the recruitment procedure. This may provide an insight into an employee's motivation as to whether or not they are taking their employment in an organisation with a short-term view or looking for longer-term employment.

Furthermore, Rousseau (2011) considers that an important way to influence an employee's attachment to an organisation is to focus on the value an employee derives from a job, arguing that low attachment is the result of the lack of value the current role offers to an individual employee. It is important to note, however, that the value of a job can mean vastly different things to different groups of employees. For older workers, social relationships may be more central in making the job valuable (Bal et al., 2008). For those with young families, work/life balance is probably more important (De Vos & Meganck, 2008). Over time, a failure to address a roles low perceived value will prove costly, particularly to organisations that rely on retaining the right people with essential competencies and corporate knowledge (Rousseau, 2011). The primary question is then what represents a plausible, worthwhile strategy that enhances the value of a job to a specific employee? By enhancing the value an employee places on their particular job or position, it could be hypothesised that this would increase the relational aspects of the employment agreement and therefore reduce their intention to leave. This opens a number of potential research questions regarding what value naval sailors and officers derive from their job in the Navy, and what steps can be taken to increase this perceived value.

One tool to improve the perception of value is to offer training and development opportunities that allow employees to become more competent and marketable over the course of their careers (Rousseau & Arthur, 1999; Smithson & Lewis, 2000). Lee and colleagues (2011) argue that providing development opportunities creates a stronger bond between employees and the organisation than adjusting the more transactional terms of the employment agreement. Findings from Hornung et al. (2009) suggest that employees who engage in more development opportunities generally have more relational exchanges with their employer. There is much evidence that on-going training and development is a key component of the psychological contract (Clarke & Patrickson, 2008; Robinson & Rousseau, 1994). It is also evident that regardless of how long employees plan on staying with a particular organisation, training and development opportunities are highly valued (Aggarwal & Bhargava, 2009). Furthermore, organisations that respond to the needs of their employees for training and development

opportunities are likely to attract better staff (Aggarwal & Bhargava, 2009). It appears that in the new psychological contract, training and development are a substitute to the traditional relational approach for increasing commitment and reducing turnover (Rousseau, 2011).

Findings from Sturges et al. (2005) show that career management is linked to the psychological contract. Implications from their research suggest that proactive career management is associated with an increase in affective commitment in addition to having a positive impact on job performance (Sturges et al., 2005). Their findings suggest that the practice of career self-management may be part of the employee's side of the new deal, and that active career management support may be part of the employer's side of the deal (Sturges et al., 2005). Atkinson (2002) has suggested that an important aspect of career management under the new psychological contract is to provide employees with the tools required to enable them to manage their own careers. Walsh and Taylor (2007) found that although financial reward and work-life balance are important, it is the absence of opportunities for advancement and promotion and not the presence of hard work that causes young managers to leave. One potential way of increasing the relational orientation of employees, and therefore reduce their intention to leave, may be to increase the focus on career management. This could be achieved by outlining a potential career path for all employees at an early stage and then committing to revisiting their progress on a regular basis (Walsh & Taylor, 2007).

### **6.3 Limitations and Suggestions for Future Research**

It is important to note the study's limitations. Firstly, because this study focuses solely on personnel in the RNZN prudence must be exercised when generalising these findings to other employee populations. Secondly, given that this research is based on cross-sectional survey data, it is theoretically not possible to draw definitive conclusions about causality. In addition, longitudinal research is required to confirm the findings of this study. It should also be noted that the use of self-report questionnaires may introduce the possibility of participants providing socially desirable responses (Bryman & Bell, 2007). Furthermore, as the study is based on employee perceptions, this may present a biased view of organisational reality.

The results also need to be interpreted in light of the potential for common-method bias. Despite the analysis conducted in Section 5.3, given the studies cross-sectional design, and its use of a self-report questionnaire, the potential for this problem still exists. This issue could be minimised to some extent with the use of longitudinal data. Rousseau (1998) highlighted that self-report measures are the most appropriate method for assessing the content of the psychological contract. In addition, experimental or laboratory type study would have proved impractical for research of this nature (Cable, 2008). It is therefore assessed that the self-report method was appropriate for this study.



The generalisability of this study's findings cannot be established without replication. Nonetheless, the design of the present study provides a basis for further investigation of the link between psychological contracts and intention to leave. Future studies should examine the generalisability of these findings across the remainder of the NZDF and the rest of the New Zealand public sector. Furthermore, to build on this study future research should explore how different psychological contract forms influence other employee attitudes and behaviours.

Cable (2012) has argued that the potential variance across employment level or sector influences the content of the psychological contract. Cable (2012) has advocated that research is required that investigates the specific content of psychological contracts for different employment groups. There is an opportunity for future research to develop a measure of the psychological contract specifically covering the unique employment relationship in the military. Rousseau (2011) has called for a similar approach, and has stated that more qualitative research of individual psychological contracts is required to appreciate the likely different aspects in employment relationships across different settings.

#### **6.4 Conclusion**

Despite the limitations mentioned above, this study contributes to theory and practice and has notable strengths. Firstly, a key strength of this study is the large sample size ( $n = 594$ ) when compared to many studies examining the relationship between psychological contracts and employee attitudes (Hamilton & von Treuer, 2012; Raja et al., 2004; Robinson & Rousseau, 1994; Rousseau, 1990).

Secondly, in the context of the psychological contract, this is possibly only the second study to examine the content of the psychological contract in a military context. Thirdly, this study provides evidence that the content of the psychological contract influences turnover intentions. Perhaps most importantly it highlights that in the Navy relational contracts are a more important predictor of intention to leave than affective commitment. Fourthly, in line with recent findings from Alcover et al. (2012) an important contribution of this study is that it provides further evidence for the mediating effect of affective commitment in the relationship between psychological contract orientation and intention to leave.

In addition to adding to our theoretical knowledge of the psychological contract, this study also presents a number of practical implications. In the last 12 months the attrition rate in the RNZN has risen considerably, to the point that there are now three ships in the RNZN that cannot proceed to sea due to personnel shortages. The findings from the present study strongly suggest

that the use of the psychological contract maybe an important framework for understanding the employment relationship in the Navy.

Based on the findings of the present study, a number of strategies could be considered when developing an HRM strategy to improve retention in the Navy. By incorporating an assessment of the psychological contract orientation into the recruiting process, potential recruits could be screened to assess the likelihood of them staying in the Navy long-term. The present study also suggests that a greater emphasis should be placed on providing training and development opportunities and enhancing career management.

Much of the psychological contract research to date has focused on the outcomes associated with psychological contract breach or violation. Although important variables, this research project set out to understand what the impact of the psychological contract is at those times when the contract is not broken. What type of psychological contracts should organisations strive to obtain with their employees? It is hoped that the evidence that relational contracts are an important predictor of turnover intentions will attract more research attention to examine this further across the NZDF and wider New Zealand public sector. This research project set out to understand retention issues in the Navy. It is hoped that it has contributed to this understanding, as well as adding a valuable contribution to the wider psychological contract research literature.

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# APPENDIX A: QUESTIONNAIRE

## THE PSYCHOLOGICAL CONTRACT MASTERS RESEARCH QUESTIONNAIRE - INFORMATION SHEET

Researcher: Layamon Bakewell

I am currently studying towards a Master of Business Studies (Massey University) and as part of this qualification; I am undertaking a final research thesis:

### The State and Content of the Psychological Contract in the Royal New Zealand Navy

The psychological contract is a term that is used to refer to the expectations and obligations existing between employee and employer, which do not form part of the written employment contract. It encapsulates the beliefs individuals have as to what they expect from their employer, and what they believe their employer expects of them. It is called "psychological" because these beliefs and expectations are held in the mind, and affects the way employees behave and the way they react to changes in the employment relationship. You are invited to complete the attached questionnaire, which will take **10 – 15 minutes**.

*Please complete and return in the envelope provided by Friday 31 August 2012.*

### How will your information be protected?

- The survey is administered in accordance with the Privacy Act (1993) and DFO 21/2002: Authority to Conduct Personnel Research in the NZDF.
- **Individual responses are confidential.** No information identifying you individually will be collected at any stage.
- **Reported responses are anonymous.** The final Thesis will focus on summarised information such as percentages and averages.

**Research Results.** The research results will be presented in a Thesis which will be submitted for marking by an internal examiner and the external examiner. A copy may be deposited in the Massey University Library and consideration may be given to its publication in scholarly journals.

**Participant Rights.** Completion and return of the questionnaire implies consent. You have the right to decline to answer any particular question.

**Research Ethics.** This project has been reviewed and approved by the Massey University Human Ethics Committee: Northern, Application 12/025. If you have any concerns about the conduct of this research, please contact Dr Ralph Bathurst, Chair, Massey University Human Ethics Committee: Northern, telephone 09 414 0800 x 9570, email [humanethicsnorth@massey.ac.nz](mailto:humanethicsnorth@massey.ac.nz).

**Contact Details.** If you have any questions, or would like to receive more information about this project, please contact me or my supervisor:

Researcher: Layamon Bakewell  
Phone: 0064 9 5507013  
Email: [Layamon.Bakewell@NZDF.mil.nz](mailto:Layamon.Bakewell@NZDF.mil.nz)

Supervisor: Dr Darryl Forsyth, Senior Lecturer –  
School of Management  
Email: [D.Forsyth@massey.ac.nz](mailto:D.Forsyth@massey.ac.nz)

### To complete the attached questionnaire please follow these instructions:

- Please answer the questionnaire yourself giving your answers only.
- The format of the questionnaire provides you with a scale from which to select your response. Please answer each question using the scale, for example:

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1. I believe it is better to be happy than sad.	1	2	3	4	5
---	---	---	---	---	---

- Please complete all questions.
- Please complete the questionnaire as soon as possible.
- It is recommended that you complete the questionnaire in one sitting.
- Please return the questionnaire as soon as you have completed it using the envelope provided.**

Please note that you have the right to decline to participate or to refuse to answer any of the following questions.

**Section 1. Demographic Information**

The information you provide in this section will enable analysis of the psychological contract across the different areas and levels of the RNZN.

1. Please circle the box that best describes your current rank:

Junior Rating (OD-LH)	Senior Rating (PO-WO)	Junior Officer (MID-LT)	Senior Officer (LT CDR-RADM)
-----------------------	-----------------------	-------------------------	------------------------------

2. Please circle the box that best describes when you joined the RNZN?

Prior to 1980	1980-89	1990-99	2000-09	After 2010
---------------	---------	---------	---------	------------

3. Please circle the box that best describes where you are currently posted:

Devonport Naval Base	Sea Going Ship	HQ JFNZ Trentham	HQ NZDF Wellington	Other
----------------------	----------------	------------------	--------------------	-------

**Section 2. Affective Commitment (emotional attachment to the organisation)**

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1. I would be happy to spend the rest of my career in this organisation.	1	2	3	4	5
2. I really feel as if this organisation's problems are my own.	1	2	3	4	5
3. I do not feel a strong sense of belonging to my organisation.	1	2	3	4	5
4. I do not feel emotionally attached to this organisation.	1	2	3	4	5
5. I do not feel like part of the family at my organisation.	1	2	3	4	5
6. This organisation has a great deal of personal meaning for me.	1	2	3	4	5

**Section 3. Intention to Seek Alternative Employment**

1. I will probably look for a new job in the near future.	1	2	3	4	5
2. At the present time, I am actively searching for another job in a different organisation.	1	2	3	4	5
3. I do not intend to quit my job.	1	2	3	4	5
4. It is unlikely that I will actively look for a different organisation to work for in the next year.	1	2	3	4	5
5. I am not thinking about quitting my job at the present time.	1	2	3	4	5

**Section 4. The Psychological Contract**

Please indicate the extent to which you agree or disagree with the following statements about your employment by circling your answer on the scale next to each statement.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1. I work only the hours I am required to work and no more.	1	2	3	4	5
2. My commitment to my organisation is defined by my conditions of service.	1	2	3	4	5
3. My loyalty to my organisation is specific to my conditions of service.	1	2	3	4	5
4. I prefer to work a strictly defined set of working hours.	1	2	3	4	5
5. I only carry out what is necessary to get the job done.	1	2	3	4	5
6. I do not identify with my organisation's goals.	1	2	3	4	5
7. I work to achieve the purely short-term goals of my job.	1	2	3	4	5
8. My job means more to me than just a means of paying the bills.	1	2	3	4	5
9. It is important to be flexible and work irregular hours if necessary.	1	2	3	4	5
10. I expect to grow in my organisation.	1	2	3	4	5
11. I feel part of a team in my organisation.	1	2	3	4	5
12. I have a reasonable chance of promotion if I work hard.	1	2	3	4	5
13. To me, working in my organisation is like being a member of a family.	1	2	3	4	5
14. My organisation develops/rewards employees who work hard to exert themselves.	1	2	3	4	5
15. I expect to gain promotion in this organisation with length of service and effort to achieve goals.	1	2	3	4	5
16. I feel my organisation reciprocates (returns) the effort put in by employees.	1	2	3	4	5
17. My career path in my organisation is clearly mapped out.	1	2	3	4	5
18. I am motivated to contribute 100% to my organisation in return for future employment benefits.	1	2	3	4	5

**Thank you for your participation. To request a copy of the summary results please complete the following page.**

**Please return the questionnaire in the envelope provided.**

**The State and Content of the Psychological Contract in the Royal New Zealand Navy**

**Request for Summary of Research Results**

If you wish to receive a summary of the results of this research please either:

(a) To receive a copy of the results via email send an email to:

Layamon.Bakewell@NZDF.Mil.NZ

With the subject line: Copy of results – Psychological Contract

The summary results will be sent via email to your originating email address, or

(b) Complete the below details. Detach this sheet from the questionnaire and include it with the questionnaire in the envelope provided. The sheet will be separated from the questionnaire when the envelope is opened and will be held separately until the study has been completed at which stage it will be used to forward the results to you. Confidentiality is assured. This sheet will not be used to identify any individual response. The summary results are planned to be available sometime in 2013 and will be distributed early next year.

-----

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## APPENDIX B: RESEARCH ANNOUNCEMENTS ON RNZN INTRANET HOME PAGE

 Home Documents and Lists Create Site Settings Help

Navy Intranet

### My Announcements: Psychological Contract Survey

 New Item |  Edit Item |  Delete Item | Alert Me | Go Back to List

Title: Psychological Contract Survey

Announcement Title: Psychological Contract Survey

Type of Announcement: RNZN

Body:

I am currently studying towards a Master of Business Studies and as part of this qualification; I am undertaking a final research Thesis:

The State and Content of the Psychological Contract in the Royal New Zealand Navy

The psychological contract is a term that is used to refer to the expectations and obligations existing between employee and employer, which do not form part of the written employment contract. It encapsulates the beliefs individuals have as to what they expect from their employer, and what they believe their employer expects of them. It is called "psychological" because these beliefs and expectations are held in the mind, and affects the way employees behave and the way they react to changes in the employment relationship.

Over the course of the next week every uniformed member of the RNZN will receive a Psychological Contract Survey through the internal mail system. The survey itself is only one page and should only take 5-10 minutes to complete.

The findings from this research will enable us to better understand the unique employment relationship in the RNZN, and provide insight into the correlation between Psychological Contract, Commitment, and Intention to Leave.

How will your information be protected?

- The survey is administered in accordance with the Privacy Act (1993) and DFO 21/2002: Authority to Conduct Personnel Research in the NZDF. Approval for this research has been granted by DCN.
- Individual responses are confidential. No information identifying you individually will be collected at any stage.
- Reported responses are anonymous. The final Thesis will focus on summarised information such as percentages and averages.

Do not hesitate to contact me if you require any further information or would like to discuss this research project further.

Attachment Name:

Proposed Release Date: 13/08/2012

Point of Contact: LT Layamon Bakewell, RNZN | Cell: 021 020 63677

Email: [Layamon.Bakewell@NZDF.Mil.NZ](mailto:Layamon.Bakewell@NZDF.Mil.NZ)

Navy Intranet

## RNZN Announcements: Last Week for Psychological Contract Survey

 New Item |  Edit Item |  Delete Item | Alert Me | Go Back to List

Title: Last Week for Psychological Contract Survey  
Announcement Title: Last Week for Psychological Contract Survey  
Type of Announcement: RNZN  
Body: By now all uniformed members of the RNZN should have received a copy of the Psychological Contract Survey through the internal mail system. My sincere thanks to all of you that have taken the time to complete the survey so far. For all of those people that have yet to return the survey, I need to receive all responses by this Friday 31st August. This is your opportunity to have your say, and contribute to this important research project. If anyone has not received the survey (or has lost it), and would still like the opportunity to contribute to this research please contact me and I will email you an electronic copy. Again thank you to all those people that have responded so far. Do not hesitate to contact me if you require any further information or would like to discuss this research project further.

Attachment Name:  
Proposed Release Date: 28/08/2012  
Point of Contact: LT Layamon Bakewell, RNZN | Cell: 02102063677 Email: [Layamon.Bakewell@NZDF.Mil.NZ](mailto:Layamon.Bakewell@NZDF.Mil.NZ)  
Category: RNZN - General Info  
Topic: For Your Info  
Originator: MCC  
Link to Attachment Ashore:  
Link to Attachment Ship: [\\Dixs\\_filer\Shared\Announcements\](#)  
Release Date: 28/08/2012  
Expiry Date: 31/08/2012  
Status: Live  
Priority of Announcement: 3  
Author: BAKEWELL LAYAMON, LT  
Date Created: 2012-08-28 09:20:26

## APPENDIX C: MASSEY UNIVERSITY HUMAN ETHICS COMMITTEE APPROVAL LETTER



**MASSEY UNIVERSITY**  
ALBANY

18 June 2012

Layamon Bakewell  
c/- Dr D Forsyth  
College of Business  
Massey University  
Albany

Dear Layamon

### **HUMAN ETHICS APPROVAL APPLICATION – MUHECN 12/025**

#### **The State and Content of the Psychological Contract in the Royal New Zealand Navy**

Thank you for your application. It has been fully considered, and approved by the Massey University Human Ethic Committee: Northern.

Approval is for three years. If this project has not been completed within three years from the date of this letter, a reapproval must be requested.

If the nature, content, location, procedures or personnel of your approved application change, please advise the Secretary of the Committee.

Yours sincerely

Dr Ralph Bathurst  
Chair  
Human Ethics Committee: Northern

cc: Dr D Forsyth  
College of Business

**APPENDIX D: LETTER GRANTING APPROVAL TO CONDUCT  
RESEARCH IN THE RNZN**

UNCLASSIFIED

**COPY FOR YOUR  
INFORMATION**

**HEADQUARTERS NEW ZEALAND DEFENCE FORCE**  
Royal New Zealand Navy  
**MINUTE**

NHQ5000-0001

6 July 2012

**LT L BAKEWELL**

**For Info:**  
DD ORD

**REQUEST FOR APPROVAL TO CONDUCT PERSONNEL RESEARCH**

**References:**

A. DPE 5000/PB/5/3

The request at the reference has been approved. DCN is looking forward to receiving a copy of the final research findings and wishes you well with it.

*FL Nicholls*

**FL NICHOLLS**  
MISS  
EA-DCN