

SURVIVOR REACTIONS TO ORGANIZATIONAL DOWNSIZING:
THE INFLUENCE OF JUSTICE PERCEPTIONS
AND THE PSYCHOLOGICAL CONTRACT

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The present study examined the relationships of organizational justice and the psychological contract with four outcome variables in a downsizing context. Multinational data were gathered from survivors representing a variety of organizations and industries. The main focus of the current study examined the relationships between survivors' perceptions of procedural, interpersonal, and informational justice and organizational commitment, job satisfaction, turnover intentions, and trust in management. Correlational data indicated that procedural, interpersonal, and informational justice all demonstrated significant correlations with the outcome variables with interpersonal justice demonstrating higher correlations with the outcome variables than procedural justice. Additionally, the results of two structural models indicated that, although both models fit the data equally well, interpersonal justice was the dominant predictor of the outcome variables. Finally, moderated multiple regression analyses indicated that the psychological contract did not act as a moderator on the relationships between the justice and the outcome variables. However, supplemental confirmatory factor analysis suggested that the justice variables might act as a mediator of the psychological contract - outcome variable relationships. Possible explanations of the results as well as implications for practice and future research are provided.

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Thank you to my husband, who believed in me, encouraged me, and helped me achieve my goal. Thank you Kobe, for always showing your happiness when I came home after long hours of studying. Thanks to my parents and siblings, who supported me in many ways. To my American family, which includes Dwayne, thank you for the various ways you supported me. Thank you to Chris, for defending our country and studying with me during the final hours. I am passing the education baton on to you and Jeff! To WALS, I feel very fortunate to have such a great group of best friends. Thank you all for all your support and many hours of venting. A special thanks to Jessica, for being my best friend and coach during graduate school and many years to follow after graduation. And finally, to my grandparents, I know you will be there.

TABLE OF CONTENTS

	Page
ACKNOWLEDGMENTS.....	iii
LIST OF TABLES.....	v
LIST OF FIGURES.....	vi
Chapter	
1. INTRODUCTION.....	1
Downsizing	
Effects of Downsizing on Layoff Survivors	
Psychological Contract	
General Overview	
2. METHOD.....	35
Participants	
Procedure	
Measures	
3. RESULTS.....	42
4. DISCUSSION.....	63
Implications of Results	
Recommendations for Organizations	
Study Limitations	
Suggestions for Future Research	
REFERENCES.....	82

LIST OF TABLES

	Page
Table 1	Demographic Information.....49
Table 2	Descriptive Statistics, Intercorrelations, and Internal Reliability Estimates for Study Variables.....51
Table 3	Comparison of Kernan & Hanges' (2002) Model and Proposed Model.....56
Table 4a	Summary of Regressions Analysis of Procedural Justice and the Psychological Contract in the Prediction of Trust in Management.....58
Table 4b	Summary of Regressions Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Trust in Management.....58
Table 4c	Summary of Regressions Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Organizational Commitment.....61
Table 4d	Summary of Regressions Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Job Satisfaction.....62

LIST OF FIGURES

	Page
Figure 1	Proposed Model of Survivorship.....21
Figure 2a	Visual of a Justice and an Outcome Variable moderated by Psychological Contract.....32
Figure 2b	Proposed Model with Psychological Contract as Moderator.....33
Figure 3	Measurement Model.....46
Figure 4	Proposed Model.....54
Figure 5a	Visual of Procedural Justice and the Psychological Contract Interaction in the Prediction of Trust in Management..... 60
Figure 5b	Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Trust in Management.....60
Figure 5c	Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Organizational Commitment61
Figure 5d	Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Job Satisfaction.....62
Figure 6	Mediator Model.....72

CHAPTER 1

INTRODUCTION

In response to the economic downturn of the early 2000s and in an effort to become more competitive and efficient, more organizations have attempted to reduce costs by downsizing. Contrary to the organization's intent, downsizing can have profound negative effects on the remaining employees, the survivors, and may also negatively impact the organization's bottom line. For example, many survivors of downsizing have exhibited decreased levels of organizational commitment, trust in management, and job involvement (Cooper-Schneider, 1989), as well as decreased performance (Corum, 1996).

Survivors also tend to evaluate the fairness of the downsizing activity (Brockner, 1990). Research indicates that employees' perceptions of organizational justice in relation to the layoffs are significantly related to how the survivors fare in the aftermath of the downsizing (Cooper-Schneider, 1989; Verdi, 1996). For example, survivors who believed laid-off workers were not treated fairly or who believed that management's decisions were not justified, tended to have lower organizational commitment and job satisfaction in the post-layoff period. However, the conceptualization of justice has been somewhat limited, as previous research has not always distinguished between distinct dimensions of justice (e.g., Brockner, Wiesenfeld, & Martin, 1995; Verdi, 1996).

Additionally, less research has been conducted on the influence that the employees' perceived psychological contract has on the way they respond to the downsizing effort. The psychological contract refers to the perception of inferred mutual

obligations between the organization and the employee (Rousseau, 1989). Due to the economic recessions of the late 1980s and early 1990s, the content of employee psychological contracts has reportedly changed from a focus on long-term to short-term employment (Ehrlich, 1994; Kissler, 1994). Current employees are more likely to acknowledge that employees are responsible for their own career development and that commitment to the profession or vocation is more important than commitment to an organization (Noer, 1993).

This study examined the relationships of organizational justice and the psychological contract with four outcome variables. Additionally, this study explored how the differences in layoff survivors' perceived psychological contract moderated the relationships between employee justice perceptions and outcome variables. Research assessing the influences of the psychological contract on the relationship between survivors' justice perceptions and important organizational outcome variables serves various purposes for downsizing organizations as it could identify the areas in which an organization needs to focus to alleviate the negative effects associated with downsizing. This focus could be the employees' fairness perceptions regarding the layoffs or the content of the psychological contract they hold.

Downsizing

After 10 years of growth, the longest economic postwar expansion in United States history came to an end in March 2001 (Bureau of Labor Statistics, 2002). Although some organizations did implement layoffs during the expansion period, significantly more organizations turned to downsizing in the beginning of 2001 as compared to the

previous year. An estimated 544,717 people lost their jobs in the U.S. due to mass layoff (i.e., at least 50 workers from an organization) in January 2001 through March 2001 compared to 433,968 workers during the first quarter of 2000 (Bureau of Labor Statistics, 2001).

Organizations commonly downsize in attempts to remain competitive in the global market. Their goals are to increase short-term efficiency and productivity while decreasing their costs (Noer, 1993). However, downsizing can have profound negative effects on the organization as a whole, as well as on the people who stay behind, the layoff survivors. Contrary to management's intent, research has indicated that layoffs can negatively influence survivors' attitudes and behaviors toward work and therefore negatively impact the organizational bottom line (Brockner, Grover, Reed, DeWitt, & O'Malley, 1987; McElroy, Morrow, & Rude, 2001). Many survivors experienced feelings of fear, job insecurity, and uncertainty in combination with frustration, anger, and resentment toward the organization. In order to cope with these feelings, layoff survivors demonstrated reduced risk taking and lowered productivity (Noer, 1993, 1998) as well as higher turnover intentions, lower organizational commitment, and decreased trust in management (Kernan & Hanges, 2002).

Most research examining the effects of layoffs has focused on the downsizing that took place shortly after the recessions of the late 1980s and early 1990s (Brockner, DeWitt, Grover, & Reed, 1990; Brockner, Grover, & Blonder, 1988). However, little research has been conducted on the process and effects of layoffs during the current recession. Survivors today find themselves in a different organizational environment than

those of the early 1990s. For example, organizations today have flatter structures, and, as a whole, the economy emphasizes service over manufacturing (Bowditch & Buono, 2001). There has also been a change in the expectations between the employer and employee. Previously, employees expected that the organization provided long-term employment for good performance, and offered training and career development for promotion purposes. Today, employees are increasingly responsible for their own career development to increase their marketability, and employees can no longer expect long-term employment for loyalty and good work (Noer, 1993, 1998). This paradigm shift is referred to as the new psychological contract.

Effects of Downsizing on Layoff Survivors

Following the recessions of the 1980s and early 1990s, the survivorship literature focused on several main areas of focus: (a) fairness perceptions, (b) job satisfaction, (c) job performance, and (d) organizational commitment. Much of the early survivorship research stems from Brockner and his colleagues. These studies have demonstrated that survivors experience decreased job involvement and satisfaction (Brockner et al., 1988; Brockner et al., 1990), often combined with increased absenteeism rates and turnover intentions (Brockner et al., 1987; Brockner et al., 1990), and lower work effort (Brockner et al., 1990).

Brockner's early studies on survivorship also demonstrated the importance of survivors' attachment to the victims (i.e., those employees who are laid off) and the quality of organizational care-taking activities for the victims (i.e., severance packages, outplacement services, etc.). Survivors' reactions to the layoff were more negative

when they identified themselves with the victims (Brockner, Davy, & Carter, 1985; Brockner et al., 1987) and when they perceived that the victims were inadequately compensated (Brockner et al., 1987).

Survivors also tend to evaluate the fairness of management's actions during a layoff process (Brockner, 1990; Brockner & Greenberg, 1990), and they tend to react more positively when they believe the decisions made regarding the layoffs were fair (Brockner, Konovsky, Cooper-Schneider, Folger, Martin, & Bies, 1994). Although several of the aforementioned studies took place in a laboratory setting, they laid the groundwork for further survivorship studies examining the relationship between survivors' fairness perceptions and layoff experiences.

Fairness Perceptions

A review of the justice literature indicates that survivors' perceptions of fairness is positively related to job satisfaction, organizational commitment, trust in management, and negatively related with turnover intentions (Davy, Kinicki, & Scheck, 1991). Some issues that survivors are inclined to question are the reasons for the layoff, the necessity of the layoff, the manner in which the layoff message was presented, and the severance packages for the victims (Brockner, 1990). An organizational justice framework may help explain survivors' reactions to downsizing (Brockner & Greenberg, 1990) and may guide managers in successfully implementing the different steps of the layoff process to enhance survivors fairness perceptions (Konovsky & Brockner, 1993).

Davy et al. (1991) tested a model of survivors' responses to downsizing which included job security, global process control, employees' perceived fairness perception,

job satisfaction, organizational commitment, and employees' behavioral intent to withdraw. Global process control was operationalized as employees' opportunity to express their opinion and/ or have a voice in the decision-making process, whereas perceived fairness of the layoff referred to employees' fairness perception of the decision-making procedure regarding the layoff. Results indicated that global process control positively influenced employees' fairness perceptions of the layoff and their job satisfaction. Additionally, employees' level of job security and fairness perception regarding the layoff significantly impacted employees' level of job satisfaction. Furthermore, job satisfaction positively influenced organizational commitment, which in turn impacted employees' intention to withdraw from the company.

Although this research provided more insight into survivors' layoff experiences, it did not differentiate between different dimensions of organizational justice. To further understand the influence of survivors' fairness perceptions on their layoff experiences, the current study distinguished between three dimensions of fairness perceptions: procedural justice, interpersonal justice, and informational justice.

Dimensions of Organizational Justice

Over the years, organizational justice researchers have described several dimensions of justice (e.g., procedural justice, interactional justice) that may explain survivors' perceptions regarding fairness on different factors within the layoff process. Definitions of the dimensions of justice are given in context of the current study. What follows is a brief description of the evolution of these different justice dimensions.

Procedural justice. Introduced by Thibaut and Walker (1975) and further extended by Leventhal (1980), procedural justice is the most researched justice dimension within the (survivorship) literature. Procedural justice refers to survivors' perceptions regarding the fairness of the decision-making procedure during the layoff process (Greenberg, 1986; Konovsky & Brockner, 1993). This justice dimension addresses employees' voice and influence during the decision-making process (Thibaut & Walker, 1975) as well as the criteria for the decision-making procedures such as consistency, lack of bias, and accuracy (Leventhal, 1980). It is not surprising that those who are affected by the layoff will evaluate the fairness of these procedures.

Many survivors have reported a positive relationship between their perception of procedural justice and their commitment to the organization (Brockner et al., 1994; Verdi, 1996). Survivors also showed a decrease in trust toward management when they perceive the layoff process as procedurally unfair (Verdi, 1996). Furthermore, survivors who were most committed to their organization prior to the downsizing, but believed management's actions concerning the layoff were unfair, experienced the largest decline in organizational commitment and increase in turnover intention (Cooper-Schneider, 1989).

Thibaut and Walker (1975) described in their earlier work that procedural justice also includes the opportunity to voice one's opinion. Employees who are allowed input in the decision making process tend to be more accepting of negative outcomes and may perceive the layoff procedure as more fair (Greenberg, 1986; Thibaut & Walker, 1975). Many employees believed that management acted in the employee's best interest when

the employees had the opportunity to voice their opinion in the decision making process (Kernan & Hanges, 2002). Employees who believe their input was considered in the decision-making process reported higher levels of procedural justice and consequently were more committed to the decision and displayed more trust in management (Korsgaard, Schweiger, & Sapienza, 1995). Additionally, many employees who reported lower levels of procedural justice including the opportunity to voice their opinion, showed a decrease in their obligations toward the organization and were more likely to leave compared to employees who reported higher levels of procedural justice. Furthermore, when employees reported higher levels of procedural justice, their trust in management increased and their perception of obligations toward the organization remained at the same level as compared to before the reorganization planning (Korsgaard, Sapienza, & Schweiger, 2002).

Taken together, it appears that organizations who invite employees' input may convey the message, "We care about you and what you think," thus instilling trust toward the organization. Employees who trust that their input will be considered will likely perceive the resulting decision as more fair (Davy et al., 1991).

Interactional justice. Research on procedural justice has also suggested a distinction between the formal/structural characteristics of the decision-making procedures and the interpersonal characteristics of the decision-making procedures (Bies & Moag, 1986; Greenberg, 1990). As previously presented, the formal procedures of the decision-making process are procedural justice. The interpersonal context of the decision-making procedure has been defined as the interpersonal treatment people receive during

the decision-making process and the accuracy and clarity of explanations given for the decisions. This is defined as interactional justice (Bies & Moag, 1986).

Several studies have examined employees' fairness perceptions regarding communication and interpersonal treatment. Many employees perceived an organizational change effort such as downsizing to be more fair when they have been treated with respect and kept up to date with accurate information concerning changes that affect them (Bies, Martin, & Brockner, 1993). Duron (1993) stated similar results and reported a positive correlation between management practices that included providing clear communication and employee morale. Furthermore, Wong (1999) indicated that effective communication addressing layoff related issues was associated with higher levels of employee morale and lower levels of turnover intentions, work-related stress, and organizational risk-aversion. Overall, it appears that employees want to be treated respectfully during the downsizing process, and they expect an explanation for the decisions made, especially when the outcome is negative (Bies, 1987).

Another important aspect in employees' evaluation of the fairness process is the source of the actions. Many employees consider whether the related actions stem from management (e.g., supervisor, top management) or the organization itself, while evaluating the procedural and interactional fairness of the layoff. This is evidenced by Lavelle (1999) and supported by Bies and Moag's (1986) argument that procedural justice is most strongly correlated with organization-referenced outcomes (e.g., organizational commitment) while interactional justice is associated more with person-referenced outcomes (e.g., trust in management). For example, employees experienced a

greater decrease in commitment to management when they perceived the interactional justice to be low, whereas, organizational commitment decreased when employees perceived procedural justice to be low (Lavelle, 1999). This is a significant distinction since many managers may have little influence on the formal procedure of the layoffs, yet are the messengers to deliver the downsizing related news to employees.

Furthermore, the source of the layoff announcement appears important to the employees. Many employees with good supervisory relationships reported higher levels of procedural justice (which included interactional justice) when the announcement regarding the layoff was made by their supervisor than when employees heard about the downsizing via other channels such as media or rumors (Mansour-Cole & Scott, 1998). Taken together, many managers may be able to minimize negative effects often associated with downsizing by treating employees in a respectful manner and providing them with clear, accurate, and timely explanations concerning the layoffs.

Interpersonal justice and informational justice. Further research on interpersonal treatment and the importance of communicating information regarding decisions has provided evidence of two separate dimensions of interactional justice: (a) interpersonal justice and (b) informational justice (Colquitt, 2001; Greenberg, 1993). These distinctions allow for the separation between the perception of how one was treated during the layoff and the perceived fairness of the amount/quality of communication regarding the layoff. Thus, interpersonal justice refers to the treatment of the victims and survivors, and informational justice refers to the communication and explanation given for the decisions.

Overall, it seems that employees react more favorably to negative outcomes when they perceive the decision-making process, communication process, and interpersonal treatment to be fair. Although, many researchers have examined the relationships between fairness perceptions and survivors' layoff experiences, not all have assessed the justice dimensions separately. For example, informational and interpersonal justice have commonly been measured in combination as "interactional" justice and not as two different constructs (e.g., Verdi, 1996). Furthermore, assessments of procedural justice sometimes include interpersonal treatment and communication (e.g., Brockner, Wiesenfeld, & Martin, 1995). Some research combined several justice dimensions and categorized them as overall fairness perceptions (e.g., Cooper-Schneider, 1989).

However, recent research (e.g., Colquitt, 2001; Colquitt, Conlon, Wesson, Porter, & Yee, 2001) demonstrated that procedural, interpersonal, and informational justices are three distinct justice dimensions with unique contributions to various outcome variables. Although, the dimensions are correlated, they are not correlated strongly enough to suggest a one or two factor model (e.g., Colquitt, 2001; Kernan & Hanges, 2002). Research on these three distinct justice dimensions is scant, and the results of the effects of these justice dimensions on employees' reactions (e.g., job satisfaction, organizational commitment) are inconclusive. For example, Lavelle (1999) demonstrated that procedural justice predicts organization-referenced outcomes whereas interactional justice predicts person-referenced outcomes. Yet, other studies indicated relationships between procedural justice and employees' reactions toward management and relationships between informational and interpersonal justice and employees' reactions

toward the organization (e.g., Colquitt et al., 2001). Thus, procedural, interpersonal, and informational justice seem to influence survivors' reactions to downsizing regardless the type of reference outcome (i.e., organization or management).

More research is needed to clarify the relationships for each justice dimensions by including all three justice dimensions and multiple outcome variables. This study was one attempt to combine the justice literature and the downsizing literature and to assess the relationships of procedural, interpersonal, and informational justice and survivors' layoff experiences. Now that the dimensions of justice have been presented, the focus will change to examine the relationships between justice perceptions and survivors' outcome variables. Specifically, the variables presented here include organizational commitment, job satisfaction, turnover intention, and trust in management.

Organizational Commitment¹

As mentioned previously, researchers have also examined the impact of the layoffs on employees' organizational commitment. Many survivors reported a decrease in organizational commitment post downsizing (e.g., Verdi, 1996; Wong, 1999). However, survivors who perceived the layoffs as more fair reported greater commitment towards their organization than survivors who perceived the downsizing as less fair. Spreitzer and Mishra (2002) indicated that survivors who perceived higher levels of procedural justice also showed higher levels of organizational commitment, which resulted in lower turnover. However, these researchers did not find support for a significant relationship

¹ Most research on organizational justice and survivorship focused on employees' emotional attachment to organization and their identification with the organization. Meyer and Allen (1997) would consider this affective commitment.

between interactional justice and organizational commitment, which is consistent with other research (Cooper-Schneider, 1989; Verdi, 1999). Similarly, other survivorship research found that procedural justice is a significant predictor of organizational commitment but did not find support for the impact of interpersonal justice on organizational commitment (Ractliff, 1992).

So far, these results support the fact that employees differentiate between authority sources (i.e., supervisor/ manager versus the organization) and assess procedural justice to react to the organization. (Bies & Moag, 1986; Lavelle, 1999). Given that organizational commitment is organizationally focused, it is not surprising that survivors' procedural justice influences organizational commitment.

However, it also makes sense to argue that employees' emotional attachment to and identification with the organization decreases when they perceive lower levels of interpersonal treatment and informational justice. This is congruent with previous studies examining the relationship between procedural and interactional justice and organizational commitment (e.g., Grubb & McDaniel, 2002; Colquitt et al., 2001). Grubb & McDaniel's (2002) meta-analysis indicated that procedural justice and interactional justice are related to survivors' organizational commitment. When examining the strength of the relationships, procedural justice has a higher correlation with organizational commitment than interactional justice. A combination of procedural and interactional justice appeared to have the strongest correlation of organizational commitment.

Although, not in a downsizing context, Colquitt et al.'s (2001) meta-analysis also found support for significant relationships for procedural, interpersonal, and

informational justice and organizational commitment. Again, procedural justice has a stronger correlation with organizational commitment than interpersonal justice and informational justice with organizational commitment. Even though procedural justice showed the largest correlation with organizational commitment, informational and interpersonal justice also significantly correlated with organizational commitment, although to a lesser degree.

Given the mixed results of the influence of interactional and interpersonal justice on organizational commitment, more research is needed to explore the unique contributions of each of the justice dimensions on this outcome variable.

Job Satisfaction

In addition to significant relationships with organizational commitment, survivors' justice perceptions affect job satisfaction. Research suggested that survivors' general fairness perceptions positively correlate with job satisfaction (Davy et al., 1991). More recent research in a non-downsizing context has differentiated between justice dimensions and found that procedural justice has a strong positive relationship with job satisfaction (e.g. Colquitt et al., 2001; Mossholder, Bennett, & Martin, 1998). Many employees who reported higher levels of procedural justice also showed higher levels of job satisfaction (e.g., Martin & Bennett, 1996; McFarlin & Sweeney, 1992; Mossholder, Bennett, Martin, 1998).

Colquitt et al. (2001) also indicated a moderate positive relationship between interpersonal and informational justice and job satisfaction. Similarly, Masterson, Lewis, Goldman, & Taylor (2000) found that procedural and interactional justice predicted

employees' levels of job satisfaction with procedural justice as a stronger predictor than interactional justice. Although, generally procedural justice appears to be the strongest justice-related predictor of job satisfaction, interpersonal and informational justice also influenced employees' level of job satisfaction. Consistent with the previously reported findings, Kernan & Hanges (2002) reported that many survivors who perceived the procedures of the decision-making during the layoff to be fair, experienced higher levels of job satisfaction. However, this study did not examine the relationships between interpersonal and informational justice and job satisfaction.

Surprisingly, Ratcliff's (1999) survivorship study found no support for the influence of procedural justice on job satisfaction; but this research did provide support for a significant relationship between interpersonal justice and job satisfaction. Again, the various results of the influence of justice on job satisfaction call for more research in this area.

Turnover Intentions

Similarly, studies have demonstrated that the survivorship experience is associated with increased turnover intentions. Many survivors who perceived the layoff as fair reported lower turnover intentions than those survivors perceiving the layoffs as less fair (e.g., Cooper-Schneider, 1989; Daly & Geyer, 1994)). In addition, Kernan and Hanges (2002) also reported a negative relationship between procedural justice and turnover intentions among survivors, but did not examine the relationships of interpersonal and informational justice and employee's turnover intentions. Other studies that include interpersonal and informational justice demonstrated various results on the

contribution of each of the justice variables. For example, Wong (1999) showed that survivors were less likely to think about leaving the organization when they perceived the communication concerning the layoff to be adequate (Wong, 1999). Cooper-Schneider's (1989) study found a significant relationship between procedural justice and turnover intentions, but did not find support for a significant correlation between interactional justice and turnover intentions. Furthermore, Ratcliff's (1991) research did not provide support for a significant relationship between procedural justice and turnover intentions nor between interpersonal justice and turnover intentions.

Extending the impact of justice on turnover intentions beyond the survivorship context, Colquitt et al.'s (2001) meta-analysis found support for significant relationships of all justice variables on turnover intentions. They reported a strong inverse relationship between procedural justice and turnover intentions, a moderate inverse correlation with informational justice, and a weaker negative relationship with interpersonal justice. Masterson et al. (2000) also reported a significant relationship between procedural justice and turnover intentions, but did not explore the relationship between interactional justice and turnover intentions. Thus, research on the relationships between justice perceptions and turnover intentions demonstrate varied results regarding the influence of the specific justice dimensions on this outcome variable.

Trust in Management

Research has also indicated that survivors' experiences can affect the degree to which employees trust their management. Many survivors assessed the fairness of procedures, interpersonal treatment, and the accuracy and quality of communication

when determining the extent to which they trust management (Kernan & Hanges, 2002; Paterson & Cary, 2002). Similarly, Verdi (1996) reported that survivors had a higher trust in management when their perceptions of procedural and interactional justice were positive. Thus, it appears that survivors are likely to consider procedural, interpersonal, and informational justice when evaluating their trust in management. When examining the strength of the predictors, it appears that procedural justice is the strongest predictor of trust in management (e.g., Kernan & Hanges, 2002; Verdi, 1999). Overall, these results are congruent with the Colquitt et al. (2001) meta-analysis on justice outcomes. Colquitt et al. reported strong positive correlations between procedural and interpersonal justice and trust in management, but did not find a relationship between informational justice and trust. This inconsistency may be explained by the fact that Colquitt et al.'s meta-analysis included a number of studies not included in a downsizing context. It is possible that the amount and quality of communication may become more significant to employees when their jobs are at stake.

Dimensions of Justice and Survivors' Experiences

As described above, numerous studies have examined the relationships of justice dimensions and various outcomes allowing for a better understanding of employees' downsizing experiences. However, as mentioned previously, few studies have distinguished between the different dimensions of organizational justice and how each dimension may affect multiple outcome variables. It was expected that each of the justice dimensions (i.e., procedural, interpersonal, and informational justices) predict all outcome variables. Although, procedural justice appeared to be the stronger predictor of

the outcome variables, it is still important to study the effects of interpersonal and informational justice. If interpersonal and informational justice have an influence on person- and organizational-referenced outcomes, it is possible that managers may be able to counteract some of the negative effects associated with downsizing by offering timely and accurate information and treating the employees fair.

Based on the downsizing and organizational justice literature, the following hypotheses were presented for layoff survivors:

Hypothesis 1a: Procedural justice will be positively correlated to organizational commitment, job satisfaction, trust in management, and negatively associated with turnover intentions.

Hypothesis 1b: Informational justice will be positively correlated to organizational commitment, job satisfaction, trust in management, and negatively associated with turnover intention.

Hypothesis 1c: Interpersonal justice will be positively correlated with organizational commitment, job satisfaction, trust in management, and negatively associated with turnover intention.

Hypothesis 1d: Procedural justice will be a stronger predictor of organizational commitment, job satisfaction, trust in management, and turnover intentions than interpersonal and informational justice.

One main focus of the proposed study was to test a model of survivors' reactions to the downsizing experience that examined the relationships between procedural, interpersonal, and informational justice and organizational commitment, job satisfaction, turnover intention, and trust in management. This research attempted to replicate the findings of the Kernan & Hanges' (2002) model. The latter is one of the few studies examining the different effects of procedural, interpersonal, and informational justice on survivors' experiences. Specifically, Kernan & Hanges' model examined the paths from procedural justice to organizational commitment, job satisfaction, turnover intention, and trust in management and the paths from interpersonal and informational justice to trust in management. The proposed study extended Kernan & Hanges' (2002) model by including paths between interpersonal and informational justice and organizational commitment, job satisfaction, turnover intention (see Figure 1).

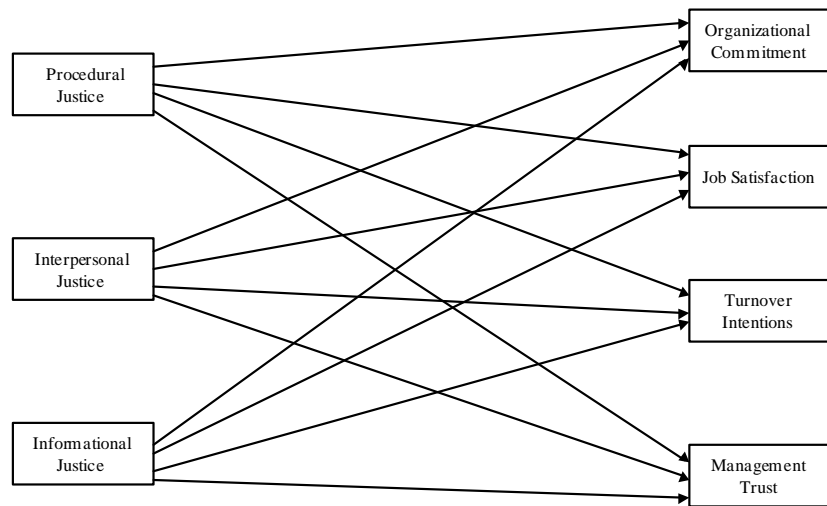
However, the present study did not examine the antecedent variables (i.e., employee input, support for victims, communication, implementation) considering that these variables have been demonstrated to fully mediate the justice outcome relationships (e.g., Brockner & Greenberg, 1990; Brockner et al., 1987; Davy et al., 1991; Kernan & Hanges, 2002). From a realistic point of view, the questionnaire length had to be brief to gain approval from the organization to collect data and to increase the response rate by

focusing on specific variables central to the proposed study. As a result, the proposed study focused on the relationships between the justice dimensions and the outcome variables. Although not part of the aforementioned model, an additional focus of this study was to examine the impact of the psychological contract on the relationships between the justice variables and the outcome variables, which will be further discussed below.

Hypothesis 2: The proposed model will fit the data significantly better than the Kernan and Hanges' (2002) model by adding six relationships representing paths between informational justice and interpersonal justice with organizational commitment, job satisfaction, and turnover intention. This increment in fit is proposed because evidence from the justice literature suggests that the added six paths could all be significant.

Figure 1

Proposed Model of Survivorship



A further interest of the current study was to examine the influence of employees' career expectations on the relationships between the justice dimensions and outcome variables. It was proposed that the strength of the relationships between the justice variables and outcome variables vary depending on the type of contract the employee has adopted.

Psychological Contract

The psychological contract is referred to as the organization's and employee's perception of inferred mutual obligations between the employee and the organization. Although both employees and employers can have psychological contracts, employee psychological contracts are most commonly studied. The employee psychological contract is a result of an individual's perception that an unspoken promise has been made to reward him/her based on the individual's contribution to the organization (Rousseau, 1989). Thus, a psychological contract is purely subjective in nature and may not have the same meaning to both parties (Rousseau & Parks, 1992).

Types of Contracts

Psychological contracts can be categorized into a number of different types. The most common distinctions are made between transactional and relational contracts (Morrison & Robinson, 1997; Rousseau, 1989). The transactional contract involves specific and short-term obligations, and it focuses on monetary exchanges. In contrast, the relational contract focuses on broad and long-term obligations, and values the relationship between employer and employee. Employees who work under the relational or transactional contract have been categorized as employees with low and high

careerism, respectively (Rousseau, 1990). Low careerism employees are those who anticipate job security and value the long-term relationship with the employer, whereas, those who do not expect long-term employment and focus on short-term exchanges such as monetary rewards and training are said to have high careerism. The high careerist employee perceives the current employment as an opportunity to move up on the career ladder and is more likely to take on a transactional contract.

Based upon content, psychological contracts have also been referred to as the old and the new psychological contract, which are the terms used in the current study. Under the new psychological contract, organizations no longer consider themselves to be the caretakers of their employees (Ehrlich, 1994; Kissler, 1994; Noer, 1993; Robinson & Rousseau, 1994). Where organizations used to perceive employees as long-term assets and regularly offered career development, training, and promotions, many organizations now view employees as short-term costs that can be reduced. The content of the new psychological contract no longer promises long-term employment for loyalty and good work, and it renders employees responsible for their own career development (Noer, 1993). Thus, under the new psychological contract, an employee can expect to work with an organization in the short-term and to manage his or her own career to increase future employment options.

Effects of Contract Violation

Although the employer may have never been aware of the employee's inferred contract, violation of this contract by the employer may lead to negative consequences for the organization (Noer 1993; Robinson & Rousseau, 1994; Rousseau & Parks, 1992). An

employee who perceives his employer as defaulting on the contract may experience decreased trust in the organization, reduced organizational satisfaction (Deery, Iverson, Walsh, 2003; Robinson, 1995), decreased organizational commitment (Robinson, 1995), and decreased loyalty (Turnley & Feldman, 1999). Furthermore, Robinson and Rousseau (1994) reported decreased job satisfaction, decreased intent to stay with the employer, and an increased turnover rate resulting from contract violation.

Furthermore, psychological contract violations negatively impacted job expectations and satisfaction resulting in greater neglect of job duties, intentions to quit, and lower levels of organizational citizenship behavior (Turnley & Feldman, 1999). Employees were also more likely to leave the organization after contract violations if their perceptions of alternative employment opportunities were high. Furthermore, the results of Turnley and Feldman's (1999) study indicated that employees whose company went through downsizing experienced higher levels of contract violations than employees whose company did not go through a staff reduction. This was particularly true for perceived violation regarding job insecurity, received compensation, and opportunities for advancement.

Other variables that influenced the levels of perceived psychological contract violations are the fit between individual and organizational values and respondents' belief in the ideology of employee's self-reliance (i.e., believe that employees are responsible for their employability/ training and employers are not responsible for employees' job security). Employees whose values are more congruent with the values of the organization experienced less contract violation (Bocchino, Hartman, & Foley, 2003).

Additionally, participants who believed less in the ideology of employee self-reliance reported higher levels of contract breach as a result of downsizing than participants with higher levels in the ideology of employee self-reliance (Edwards, Rust, McKinley, & Moon, 2003).

Although, not examined during a downsizing activity, the following studies also provide insight into the effects of contract violations. According to Turnley, Bolino, Lester, & Bloodgood's (2003) findings, many employees showed higher levels of performance and organizational citizenship behavior when they perceived higher levels of contract fulfilment. The notion of whether or not the organization had a choice in the fulfilment of the contract did not impact the positive relationship between these variables. This is an important finding, as downsizing can be perceived as the organization intentionally failing to fulfil its commitments (i.e., providing long-term employment). Additionally, Johnson & O'Leary-Kelly (2003) reported that employees' performance decreased and absenteeism increased after contract violation. The results also showed a positive relationship between contract violation and levels of cynicism, which negatively impacted job satisfaction and organizational commitment.

Robinson and Rousseau (1994) also found significant relationships between psychological contract violation and trust, job satisfaction, and turnover intentions. Furthermore, they examined the impact of career expectations (e.g., long-term versus short-term employment) on the relationships between contract violation and trust in employer, satisfaction, and turnover intentions. They reported that career expectations solely moderated the relationship between contract violation and trust in employer

suggesting a stronger relationship between contract violation and trust for employees who expected to stay with the organization versus those employees who perceived their current organization as a stepping stone in their career. This research did not find significant interaction effects for satisfaction, and turnover intentions. This could be due to the fact that this study was done with MBA graduate students with limited work experience. Additionally, contract violation was based on a broad concept of perceived employers' obligation to the employees. It is possible that when studying the impact of the psychological contract with a specific population (i.e., survivors with more work experience), more significant results could be reported.

How does the content of the contract impact downsizing experiences? Employees who assumed they would be staying with their organization long-term experienced decreased trust in the organization when they perceived that their employer violated the contract by introducing layoffs (Robinson & Rousseau, 1994). It seems likely that survivors who work under the content of the old psychological contract will more strongly perceive a violation of obligations than survivors who have adopted the content of the new psychological contract. Additionally, survivors who believe that the organization did not fulfill its obligations of long-term employment may experience more negative effects due to layoff than their colleagues who do not expect long-term employment. For example, survivors who depend on the organization to take care of them are more prone to developing symptoms of "survivors' sickness" (i.e., work related anger, fear, anxiety, distrust) that could result in non-productive and risk-averse behavior (Noer, 1993). Baruch and Hind (1999) also indicated that employees who work under the

content of the old psychological contract experience more symptoms of survivor sickness which affect employees behavior and attitude towards the company than employees who work under the content of the new psychological contract.

Given the negative effects of downsizing on employees' attitudes and behaviors and the fact that organizations can no longer promise long-term employment, it seems beneficial for both the organization and employee to adopt the content of the new psychological contract. The adoption of the content of the new psychological contract may aid in decreasing the negative effects of downsizing that many employees experience.

What factors may lead employees to shift from the content of the old to the new psychological contract? The economic recessions of the 1980s and early 1990s changed the business environment resulting in a shift from the content of the old psychological contract to the new psychological contract (Ehrlich, 1994; Kissler, 1994). Since a decade has passed between the economic recessions of the early 1990s, employees may have had sufficient time to adopt the content of the new psychological contract. Meuse-Kenneth, Bergmann, & Lester (2001) reported that, overall, the perceived perception of the relational component of the psychological contract has decreased over time; however, the results do not indicate whether the participants were indeed working under the content of the new psychological contract.

It is also possible that employees may move toward the content of the new psychological contract due to contract violation (Robinson & Rousseau, 1994). For example, employees who are laid off may subsequently adopt the content of the new

psychological contract at their subsequent employer (Cavanaugh & Noe, 1999; McLean Parks & Kidder, 1994). Employees who have adopted the new psychological contract reported a higher responsibility for their own career development, greater commitment to their profession, and greater expectations of job insecurity (Cavanaugh & Noe, 1999). Thus, these employees are more committed to their profession and realize that satisfaction is derived from performing the work versus working for a particular organization. (Kissler, 1994; McLean Parks & Kidder, 1994; Noer, 1993; Stroh, Brett, & Reilly, 1994). In other words, they derive satisfaction, not from working for organization X, but from the day to day aspects of the work they perform.

In reference to adopting the content of the new psychological contract, Noer (1993) advised employees to break their existing codependent relationships with their organization and become self-empowered by taking the initiative to develop new skills and update their work experience. Employees should no longer believe that the organization would take care of them as long as they perform and should not expect to stay with the organization until they retire or choose to leave. They should be prepared to move on to other organizations and jobs. Thus, employees should develop competitive skills to increase chances of finding another job when needed.

Many of the aforementioned studies on psychological contract violation included various topics that make up the content of a psychological contract such as salary, pay raises, bonuses, training, advancement, opportunities, career development, benefits, decision making input, job responsibility, job challenge, feedback on job performance, support, and job security (Rousseau, 1990; Robinson & Rousseau, 1994). This study

focused on three components related to the content of the new psychological contract that Noer (1993; 1998) emphasized in his work: (a) career development, (b) commitment to a profession versus an organization, and (c) job security.

The content of the psychological contract is proposed to have a significant impact on the survivors' experiences. For example, an employee working under the content of the old psychological contract is likely to expect job security based on tenure and good performance, but the organization, going through downsizing may not be able to provide those expectations. As a result, this employee may experience more of the previously described negative effects associated with layoffs than the employee working under the content of the new psychological contract. Given this, I expected that the strength of the relationship between the justice dimensions and outcome variables would vary depending on the content of an employee's psychological contract. I hypothesized that employees working under the content of the new psychological contract would experience less of the negative effects associated with downsizing than their colleagues working under the content of the old psychological contract.

How does the psychological contract fit into the previously described model of Kernan and Hanges (2002)? Several studies have examined the interactions between psychological contract violations and justice perceptions. For example, Kickul, Lester, & Finkl (2002) found that extrinsic contract violations (e.g., pay) interact with procedural justice, whereas intrinsic contract violations (e.g., autonomy) interact with interactional justice. Following contract breach, employees with low fairness perceptions showed lower job satisfaction, performance, organizational citizenship behavior, and higher

intentions to leave the organization. This suggests that positive justice perceptions can in some part ameliorate the negative effects of contract breach. Similarly, employees who perceived higher levels of contract violation combined with low procedural justice or insufficient justification for the violation were most likely to leave the organization (Turnley & Feldman, 1999).

The current study focused on the psychological contract content versus contract violation. More specifically, this study examined the relationships between the justice dimensions and organizational outcomes and how these relationships may be different for employees working under the content of the old versus the new psychological contract. Examining the content of the psychological contract may prove critical because “new” contract holders are less likely to see downsizing as a violation as compared to “old” contract holders. Cropanzano & Prehar (2001) have suggested that the content of the psychological contract determines the level of employees’ perceived fairness. For example, as employees move from the old psychological contract to the new psychological contract, employees may also adapt their fairness perceptions accordingly, suggesting that the fairness perceptions may differ among employees working under the old and new psychological contract.

However, I hypothesized that the psychological contract would moderate the relationships between the different justice dimensions and organizational commitment, job satisfaction, turnover intentions, and trust in management. I proposed that regardless of the type of contract one holds, employees would like to be treated fairly and are likely

to assess the fairness of procedures, interpersonal treatment, and accuracy and quality of communication.

Specifically, employees working under the new psychological contract will still expect the layoff procedures to be fair, to be treated with respect, and to receive adequate communication regarding the layoffs. However, because they do not expect long-term employment and have more competitive skills that are likely to increase their chances of finding a job, they may not experience the negative effects often associated with downsizing. Employees working under the content of the old psychological contract are more likely to experience the negative effects associated with downsizing which would impact their organizational commitment, job satisfaction, turnover intentions, and trust in management. Thus, employees who have adopted the new psychological contract are expected to display a stronger relationship between the justice variables and the outcome variables. Below is the final proposed hypothesis as well as a visual of a justice and an outcome variable moderated by psychological contract (Figure 2a) and a visual of the final proposed model (Figure 2b).

Hypothesis 3: The relationships between the three justice perceptions and the four outcome variables will be moderated by the employee's psychological contract.

Figure 2a

Visual of a Justice and an Outcome Variable moderated by Psychological Contract

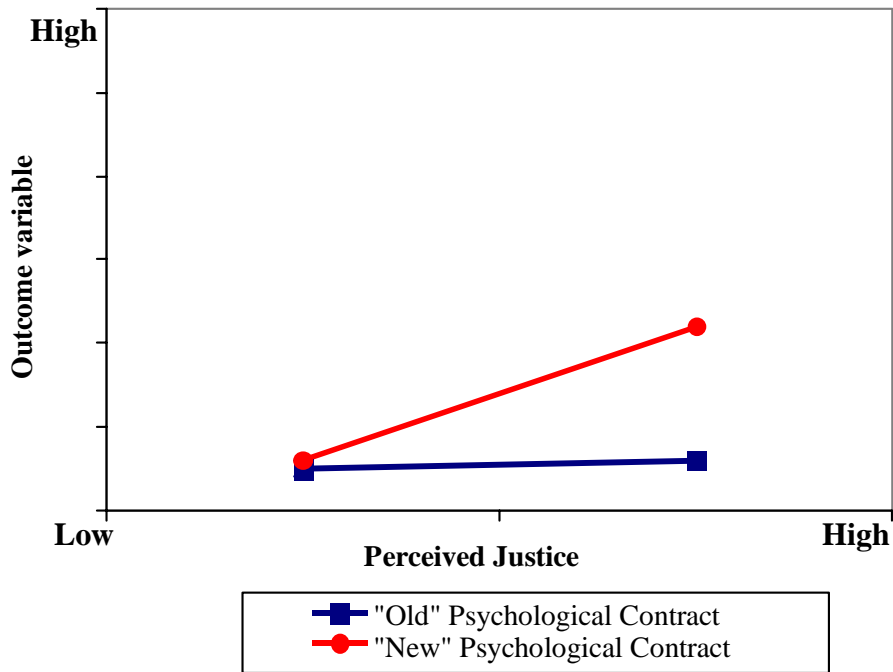
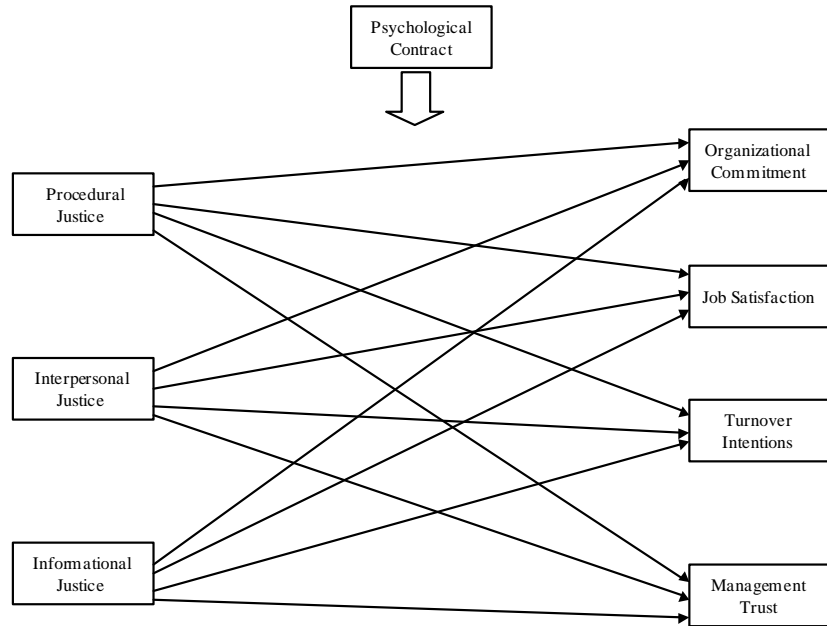


Figure 2b

Proposed Model with Psychological Contract as Moderator



General Overview

Review of survivorship literature indicated that employees evaluate the fairness of the downsizing activity (e.g., Brockner, 1990). The early studies on survivorship demonstrated that employees' fairness perceptions of the layoffs are significantly related to how they fare in the aftermath of the downsizing (e.g., Brockner et al., 1994). However, these studies did not distinguish between the different dimensions of justice. More recent research by Kernan and Hanges (2002) distinguished between the procedural justice, informational justice, and interpersonal justice. The results indicated significant relationships between procedural justice and organizational commitment, job satisfaction, turnover intention, and trust in management. The researchers also found significant relationships between interpersonal and informational justice and trust in management.

This study is unique in the fact that it examined the influence of the psychological contract on the relationships between specific justice dimensions and outcome variables (i.e., organizational commitment, job satisfaction, turnover intention and trust in management). The proposed study also examined the relationships of interpersonal and informational justice and organizational commitment, job satisfaction, and turnover intention. This study contributes to the existing survivorship literature for several reasons: (a) in this fast changing business environment, increasing numbers of organizations are restructuring including downsizing to remain competitive in the global market, and (b) as a result of the layoffs, many employees are experiencing negative outcomes, which impact the organization's bottom-line. The results of this study contribute to a better understanding of how to manage layoffs.

CHAPTER 2

METHOD

Participants

Study data were gathered from three distinct samples. The data obtained from the first sample served as pilot data to improve the content of the questionnaire as necessary. Participants from the pilot study ($N = 50$) were employed in the learning department of a major business sector in a large multinational petroleum company. This department employed approximately 100 employees operating in two countries. The company, including the department, experienced a reorganization including staff reduction. Approximately 52% of the employees completed the survey resulting in 50 complete responses.

Due to difficulties obtaining permission elsewhere in the company, it was decided to contact potential participants via email with the request to partake in the study if they met the participant qualifications (participants must be at least 18 years old and currently employed in an organization that has downsized in the past 12 months). Additionally, undergraduate and graduate psychology students at a large state university in the Southwest were asked to participate. These students presumably either completed the survey themselves if they met the participant criteria, and/ or passed on the study information to their contacts. Finally, two professional networks were contacted to access potential participants. All together, 188 people participated in the study.

While continuing data collection via emailing contacts, the project management department of the large multinational petroleum company agreed to participate. Thus, the third sample consisted of employees of a project management department in a large multinational petroleum company. This department employed approximately 580 employees operating in three countries. The company, including the department, experienced a reorganization. Although, the department encountered minimal staff reduction, the outcome of the reorganization was unknown in terms of staff reduction resulting in possible job insecurity. Due to the minimal staff reduction, the human resource division suggested to refer to the reorganization instead of the staff reduction in the survey to reflect the terminology used within the division. This change is reflected in several questionnaire items. Approximately 21% of the employees completed the survey resulting in 82 complete responses.

Procedure

Various procedures were used for inviting participants' to partake in the research study. As far as inviting employees in the multinational petroleum company, the leader of the learning department (for the pilot study data) and the HR director of the project management department (for the third sample) invited all employees via email to participate in the research. This email provided information on the purpose of the study and an Internet link to the online survey. The online survey included more detailed information on the study's purpose and the study informed consent form. Employees were asked to complete the survey on a voluntary basis and during working hours to increase the return rate.

Several procedures were used for the second sample. First, potential participants were identified through the researcher's contacts and an email was sent to these contacts explaining the study, asking for their personal participation, and asking individuals to forward the email to friends, family, and co-workers who may be interested in participating. The email provided information on the purpose of the study, the participant qualifications, and an Internet link to the online survey. The online survey included more detailed information on the study's purpose, and the study informed consent form. Second, undergraduate psychology students of the large state university were provided a flyer briefly explaining the study that contained the Internet address. They were offered extra credit in their course to solicit the participation of additional participants. Third, an email was sent to the graduate students with the request for participation. Additionally, one professional network posted the study information including the purpose of the study, consent form, and the Internet link on its website. The members of the other professional network were contacted via the distribution email list.

Measures

Participant Demographics

Demographic information was obtained via a questionnaire developed by the researcher. Minimal (optional) demographic questions were asked so the respondents would feel comfortable filling out the questionnaire thus increasing the response rate. Demographic information include: (a) age, (b) gender, (c) level within organization, (d) tenure with organization, (e) location (i.e., country), and (f) number of previous experienced reorganizations combined with staff reductions. In addition to these

questions, participants in the second sample were asked to indicate the industry they worked in.

Procedural Justice

Fairness perceptions of the decision-making procedure were measured via seven items. Items one through four were adapted from Greenberg's (1993) procedural justice measure. Items two and three were initially combined into one question. However, the researcher believed there were two parts to the question and separated the item into two questions. The fifth item has been adapted from Brockner et al. (1987) to reflect employees' fairness perception on the criteria used to determine the outcome of the layoff procedure. Items one through five have previously been used with layoff survivors with a reported internal consistency reliability of .92 (Lavelle, 1999). Employees' perceptions of their influence on the process and actual outcome are considered an important element of procedural justice (Colquitt, 2001). Therefore, items six and seven were adapted from Colquitt (2001) and slightly modified to fit the purpose of the proposed study. All answer options fell on a seven-point Likert scale ranging from "strongly disagree" to "strongly agree".

Interpersonal Justice

Employees' perception of interpersonal justice was assessed with four items. These items originated from a 3-item measure developed by Greenberg (1993) to assess interpersonal treatment. Using this questionnaire with layoff survivors, Lavelle (1999) reported an internal consistent reliability estimate of .97. For the current study, one question has been separated into two questions, as the researcher believed that there were

two parts to the questions extending the questionnaire from three to four items. The questions were answered on a seven-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (7).

Informational Justice

Informational justice was assessed via three items measuring the fairness perception of communication regarding the reorganization/staff reduction. These items were adapted from Wong’s (1999) 7-item layoff communication scale with a reported reliability of .852. Item three of Wong’s scale assessing how clearly upper management have communicated the reason for the layoffs was slightly modified to reflect the terminology used by the target organization of the current study. The fourth item of Wong’s scale was not included as this assessed communication on the part of the supervisor (not management). Additionally, the last three items of Wong’s scale were not included, as these items on fair treatment, workload, and company’s vision did not reflect communication. The three items of the current study were assessed on a seven-point Likert type scale with the endpoints of “strongly disagree” (1) and “strongly agree” (7).

Organizational Commitment

Organizational commitment was assessed using the affective commitment scale developed by Allen and Meyer (1990) and revised by Meyer, Allen, & Smith (1993) as reported in Meyer and Allen (1997). The revised 6-item version was used for this study with a reported reliability range from .77 to .88 (Fields, 2002). Responses to these items were obtained on a seven-point Likert scales ranging from (1) “strongly disagree” to (7) “strongly agree”.

Job Satisfaction

Participants' degree of job satisfaction was assessed with three items developed by Cammann, Fichman, Jenkins, and Klesh (1983). These items are part of the Michigan Organizational Assessment Questionnaire (MOAQ) and are a global indicator of employees' satisfaction with their job. The reported Cronbach's alpha ranges from .67 to .95 (Fields, 2002). Participants answered the questions on a seven-point Likert scale ranging from "strongly disagree" to "strongly agree":

Turnover Intentions

Participants' turnover intentions were assessed via three questions. The items were adapted from a 3-items scale from Meyer, Allen, and Smith (1993). This scale measures employees' tendency to leave the organization and has a reported reliability of .85. One of the items was modified to measure employees' turnover intention as a result of the staff reduction. Another item was modified to reflect the organizational structure. Responses to these items were assessed on a seven-point Likert-type with the endpoints of (1) "strongly disagree" and (7) "strongly agree".

Trust in Management

Trust in top management was assessed with three items. Items one and two were adapted from Kernan & Hanges' (2002) trust in management scale with a reported reliability of .94. Item three was created by the researcher to assess additional information regarding trust in management to make fair decisions. Participants' responses fell on a seven-point Likert scale ranging from "strongly disagree" to "strongly agree".

Psychological Contract

Participants' agreement on the new psychological contract was assessed. The questionnaire included three components related to the new psychological contract: (1) employee responsibility for career development, (2) commitment to their profession (career path), and (3) expectations of job insecurity. The components are operationalized as follows: (a) the employee possesses the belief that career development is their responsibility, (b) the employee displays more commitment towards their profession/career path than toward the organization itself, and (c) the employee does not expect long-term employment. The items, except for question two and five, were previously used by Cavanaugh and Noe (1999) to assess employee agreement on the new psychological contract. The authors did not report reliability information on the scale. Two additional items were added to the psychological contract scale to increase the number of items on the subscales. Question two was developed to assess for skill development reflecting personal responsibility for career development. Question five, adapted from Verdi (1996), was added to assess employee commitment to their profession. The sum all of the items were combined into a single composite score. Here, a high value will represent the adoption of the content of the new psychological contract, whereas a low value will represent that the employee works under the old psychological contract. Participants' response choices fell on a seven-point Likert scale ranging from "strongly disagree" to "strongly agree".

CHAPTER 3

RESULTS

Prior to the collection of samples 2 and 3, psychometric analyses of the pilot study data were conducted. These analyses demonstrated low internal consistency reliabilities for the job satisfaction ($\alpha = .71$), turnover intentions ($\alpha = .76$), and psychological contract ($\alpha = .67$) scales. To improve the internal consistency of these scales, those items with low item-total correlations were deleted. Additional items from scales were added. Closer examination of the job satisfaction scale revealed that deleting one item of the three-item questionnaire would increase the internal consistency scale from .71 to .79. In an attempt to further improve the reliability and increase the number of items, three items (Huff, 2000) were added to the remaining two survey items with a reported internal consistency of .92. This modification resulted in a five-item job satisfaction scale.

To improve the reliability of the turnover intention scale it was decided to delete one of the items and modify the remaining two items of the Meyer, Allen, and Smith's (1993) turnover intention scale to reflect its original wording. Additionally, to increase the breadth of the turnover intention scale, two additional items from the three-item turnover intention scale (Michigan Organizational Assessment Questionnaire (MOAQ; Cammann, Fichman, Jenkins, & Klesh, 1983) with a reported alpha of .92 were added, resulting in a four-item turnover intention scale.

Further analyses of the three psychological contract subscales revealed extremely low reliabilities for the following two subscales: personal responsibility for career development ($\alpha = .08$) and commitment to the profession ($\alpha = .41$). It is possible that the number of items of each subscale (two and three, respectively) contributed to low reliabilities and/or the items did not reflect the content of the construct. Since no improvements in internal consistency reliabilities could be realized by removing items, these two subscales were deleted from the subsequent surveys. The job insecurity subscale's internal consistency was improved to .83 from .76 by deleting one item, resulting in a three-item scale. To increase the breadth of the job insecurity scale, three additional items (Edwards, Rust, McKinley, & Moon, 2003) from a five-item employee self-reliance scale ($\alpha = .95$) were added. Those two items from Edwards et al. (2003) addressing loyalty were not used.

Before conducting the formal data analyses, it was decided to combine the data from samples 2 ($n = 188$) and 3 ($n = 95$) to ensure a sufficient sample size to perform structural equation modeling (SEM) and moderated multiple regression analyses. Eight independent samples t-tests indicated that the samples were not significantly different with respect to the justice variables, job satisfaction, trust in management, turnover intentions, and the psychological contract scales. However, participants from the second sample ($M = 3.7$) reported lower overall organizational commitment than did participants from the third sample ($M = 4.1$; $t(225) = 2.01, p = .045$). The fact that the participants from the third sample were employees from one company could account for the significant difference in levels of organizational commitment in the two samples. It may

be the case that this one organization exhibited practices that elicited similar and higher levels of organizational commitment among their employees compared to many organizations in the second sample. It is unlikely that employees from the second sample representing many organizations sharing less common organizational environments display similar levels of organizational commitment found in one more common organizational environment.

Due to the fact that the third sample was collected from one organization in the energy and mining industry and 25 percent of the participants from the second sample represented the energy and mining industry, this type of industry is over represented when combining both samples. To test for any significant differences between the type of industry (i.e., energy/mining versus non-energy/mining), an additional eight independent sample t-tests were performed. Results indicated that the two groups were not significantly different with respect to the justice variables, outcome variables, and the psychological contract scales. Therefore, both samples were combined for the formal data analyses.

After the two samples were combined, the data were screened for missing values, univariate and multivariate outliers, normality, linearity, and homoscedascity to ensure that maximum likelihood parameter estimates are stable. Only those questionnaires with complete responses on the justice, psychological contract, and outcome variables were used, which resulted in omitting a total of 49 cases. Next, the data were examined for univariate and multivariate outliers. Five cases were identified as univariate outliers as their z-scores were greater than ± 3.29 (Tabachnick & Fidell, 2001). Two cases were

identified as multivariate outliers because their Mahalanobis distance values were greater than the critical value ($\chi^2(12) = 31.26$). The seven cases identified as either univariate or multivariate outliers were omitted from all subsequent data analyses. The final data set for the formal data analyses resulted in an overall sample size of 227.²

Additionally, skewness and kurtosis statistics and scatter plots were examined for normality, linearity, and homoscedasticity. In respect to normality, most scales showed moderate levels of negative kurtosis. The interpersonal justice scale was slightly positively skewed and the job satisfaction scale negatively skewed. No significant violations were indicated for the assumptions of normality, linearity, and homoscedasticity.

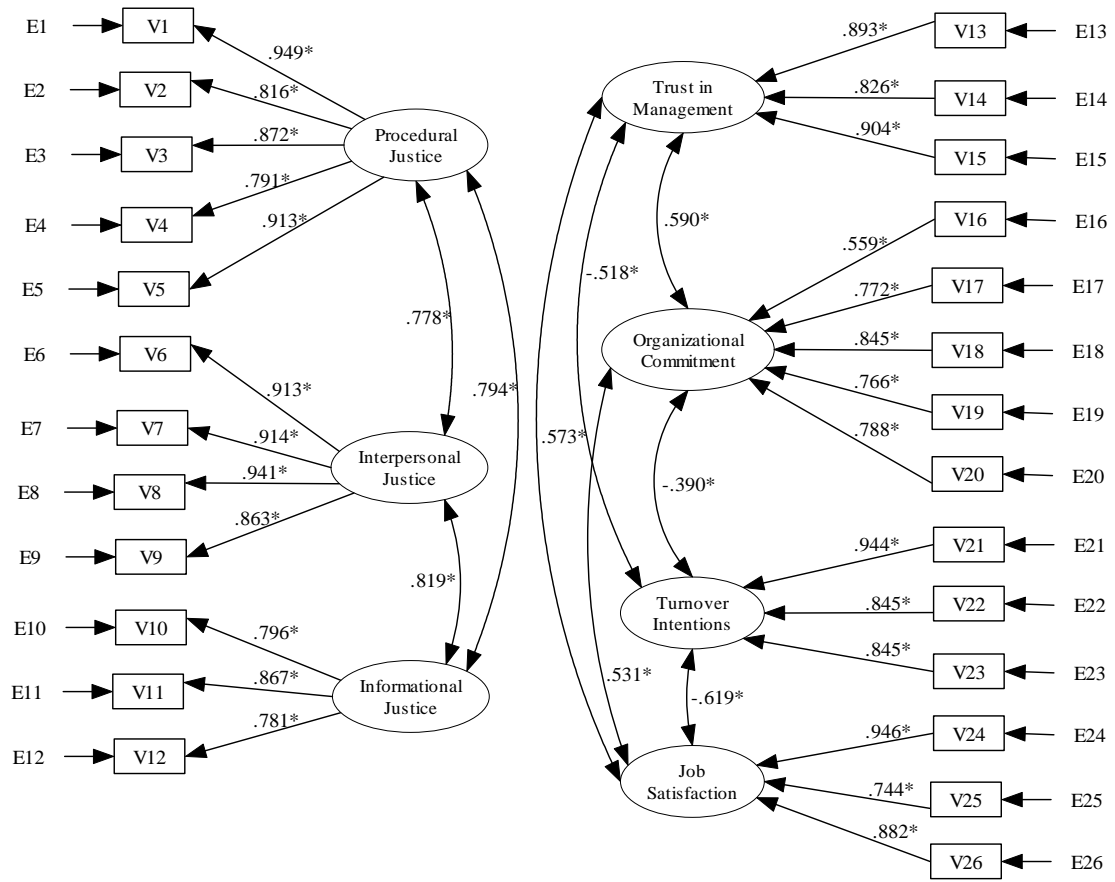
The third step prior to hypotheses testing examined the psychometric properties of the eight study variables. Reliability and exploratory factor analyses indicated that seven items either decreased the Cronbach estimates of scale internal consistency, did not load on the proposed scale, or cross-loaded with another scale. These items were omitted from the scales with 31 items remaining for the formal analyses.

Finally, several steps were taken to assure that the fit of the structural model would not be negatively impacted by psychometric problems. Following the procedure outlined by Anderson & Gerbing (1998), the fit of the measurement model was assessed prior to conducting SEM analyses using EQS version 6.1 for Windows (Figure 3).

² The sample size for structural equation modeling analyses was based on complete responses of the justice and the outcome variables (not including psychological contract scale) resulting in $N = 229$.

Figure 3

Measurement Model



Note: $N = 229$; Standard path coefficients for Measurement Model; * $p < .05$.

To determine the fit of the model, fit indices greater than .90 were considered good, a root mean-square error of approximation (*RMSEA*) of less than .05 was considered good and acceptable if less than .08 (McDonald & Ho, 2002). The fit indices for the measurement model indicated a good fit of the data ($\chi^2(290) = 669.43, p = .000, \chi^2/df = 2.3, NNFI = .918, CFI = .926$) with an acceptable level of residual error (*RMSEA* = .076). Furthermore, to ensure that possible observed correlations between the justice and outcome variables are not due to variance attributable to measurement model, as could be the case with self-report data, the measurement model was assessed for common method variance. This was achieved by using a single-common-method factor was applied by adding a method factor to the measurement model that loaded on all 26 observed variables (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). To indicate whether or not there was a significant difference between the model fit of the measurement model and the measurement model with the single-common-method factor, the rule of thumb of .01 differences in the *NNFI* and *CFI* from one model to another was maintained for one degree of freedom change (Widaman, 1985). The fit indices of the model with the single-common-method factor did not significantly improve compared to the fit indices of the measurement model as demonstrated by the increments of *NNFI* ($\Delta = 0.019$) and *CFI* ($\Delta = 0.01$) for 20 degrees of freedom change ($\chi^2(270) = 600.379, p = .000, \chi^2/df = 2.2, NNFI = .923, CFI = .936, \text{ and the } RMSEA = .073$). Therefore, common method variance does not seem to have a significant impact on model fit.

After the psychometric analyses were performed, the descriptive statistics were examined. One-hundred-and-fifty-four participants identified as females and 71 were

males, the vast majority identified as 31 years or older, 37 percent identified in a managerial role, and 71.4 percent working outside of Europe. Table 1 provides descriptive information regarding age, gender, supervisory position, tenure, location, number of previous experienced reorganizations, and industry of both groups. Table 2 provides the means, standard deviations, intercorrelations, and Cronbach alpha estimated for all study variables. As shown in Table 2, the psychological contract scale demonstrated an acceptable level of reliability ($\alpha = .79$), whereas the remaining scales demonstrated good reliabilities ($\alpha \geq .85$) for newly constructed scales (Nunnally, 1978). The means of majority of the scales ranged between 3.44 and 3.97, while the mean for job satisfaction scale higher at 4.83 on a seven-point scale. The standard deviations for all scales varied between 1.15 and 1.77. Thus most means were near the scale midpoint with similar levels of scale variability.

Examining the correlational data indicated that the justice variables were significantly and positively related to organizational commitment, job satisfaction, and trust in management, and as expected, negatively correlated with turnover intentions. The psychological contract variable demonstrated significant positive correlations with the justice variables, and trust in management. Furthermore, each of the justice variables was highly correlated with the other justice variables ($r_s = .72$ to $.74$). Each of the outcome variables was also significantly correlated with one another in the expected direction ($r_s = .28$ to $.77$).

The first set of hypotheses was initially examined with the correlation data presented in Table 2. Examinations of the patterns of correlations of the justice variables

Table 1

Demographic Information

Variable	Frequency	%
Age in years		
21 and younger	1	0.4
21 – 30	28	12.3
31- 40	49	21.6
41- 50	88	38.8
51 and older	59	26.0
Job Level		
Managerial	85	37.4
Non-managerial	140	61.7
Location		
Europe	47	20.7
Non-Europe	162	71.4
Gender		
Female	154	67.8
Male	71	31.3
Tenure in years		
Les than 1 year	12	5.3
1-2	22	9.7
3-5	44	19.4
6-10	31	13.7
11-20	54	23.8
21-30	51	22.5
More than 31 years	11	4.8
Number of Previous Experienced Reorganizations		
0	15	6.6
1	29	12.8
2	25	11.0
3	52	22.9
4	28	12.3

(table continues)

Table 1 (continued).

Variable	<i>Frequency</i>	<i>%</i>
Number of Previous Experienced Reorganizations		
5	25	11.0
6	13	5.7
7	6	2.6
8	8	3.5
9	3	1.3
10 or more	14	6.0
Industry		
Agriculture	2	0.9
Banking	1	0.4
Construction	2	0.9
Consumer/retail	2	0.9
Education/health	17	7.5
Energy/mining	117	51.5
Engineering	2	0.9
Finance/insurance	8	3.5
Government/public administration	2	0.9
Information/media	16	7.0
Hospitality	1	0.4
Manufacturing	22	9.7
Pharmaceuticals	1	0.4
Professional/business services	4	1.8
Transportation	12	5.3
Other	16	7.0

Note: $n = 227$.

Table 2

Descriptive Statistics, Intercorrelations, and Internal Reliability Estimates for Study Variables

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Procedural Justice	3.67	1.51	.94							
2. Interpersonal Justice	3.45	1.66	.74**	.95						
3. Informational Justice	3.96	1.61	.72**	.74**	.85					
4. Organizational Commitment	3.85	1.51	.37**	.43**	.36**	.86				
5. Job Satisfaction	4.83	1.43	.34**	.37**	.28**	.48**	.89			
6. Turnover Intention	3.97	1.77	-.33**	-.34**	-.30**	-.39**	-.60**	.91		
7. Trust in Management	3.66	1.66	.70**	.77**	.67**	.54**	.52**	-.48**	.91	
8. Psychological Contract	3.44	1.15	.30**	.29**	.27**	.12	-.01	-.06	.25**	.79

** . Correlation is significant at 0.01 level.

Note: $n = 227$; Cronbach estimates of internal consistency reliability (α) are presented on the matrix diagonal

with the outcome variables indicated that procedural, interpersonal, and informational justice all demonstrated significant correlations with organizational commitment, job satisfaction, trust in management, and turnover intentions. Therefore, these correlational data provide tentative support for hypotheses 1a, 1b, and 1c. Further examination of the correlational data indicates higher correlations between interpersonal justice and the outcome variables than procedural justice and the outcome variables. These data do not provide support for hypothesis 1d.

Structural equation modeling was used to further examine hypothesis set 1 as well as hypothesis 2. Hypotheses 1a through 1d were tested by examining the significance and magnitude of path coefficients for the 12 paths depicted in Figure 4. Additionally, hypotheses 2 suggested that the proposed model that added six relationships representing paths between informational justice and interpersonal justice with organizational commitment, job satisfaction, and turnover intention (Figure 1) would fit the data significantly better than Kernan and Hanges' (2002) model.

First, the Kernan & Hanges' (2002) model was tested with the current research data followed by the proposed model. The fit of each model was determined by examining fit indices and significance of parameter estimates. Overall, Kernan & Hanges' model fit the data quite well ($\chi^2(284) = 459.92, p = .000, \chi^2/df = 1.6, NNFI = .961, CFI = .966, RMSEA = .052$). All paths were significant with procedural justice predicting all four outcome variables, and interpersonal and informational justice each predicting trust in management.

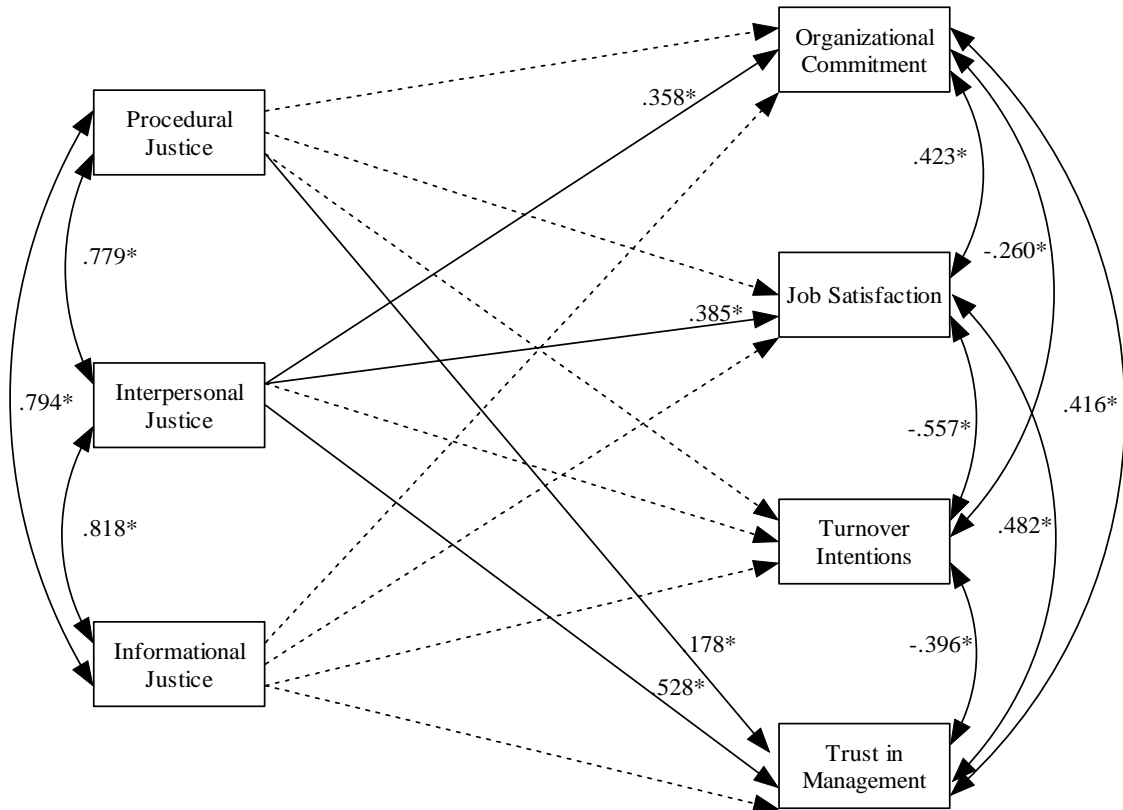
To examine the impact of the three control variables (age, location, managerial level) indicated in Kernan & Hanges' (2002) structural model, a second confirmatory factor analytic model was tested by adding the control variables to the model and allowing them to correlate with all seven variables. Analyses of the results indicate the fit of this model as acceptable, although significantly lower than the previously tested model ($\chi^2(344) = 835.60, p = .000, \chi^2/df = 2.4, NNFI = .874, CFI = .893, RMSEA = .082$). Adding the control variables to the model resulted in only 5 significant paths out of the possible 21 paths. Further examination of the results also indicated that the control variables were not very influential on all seven variables and, therefore, it was decided to omit them from subsequent analyses.

Next, the fit of the proposed model was tested. Results indicate that the fit of this model was good ($\chi^2(278) = 442.376, p = .000, \chi^2/df = 1.6, NNFI = .963, CFI = .968, RMSEA = .051$). As demonstrated in Figure 4, a total of four paths were significant. Procedural justice remained positively related to trust in management but not to organizational commitment, job satisfaction, and turnover intentions. Instead, interpersonal justice was significantly correlated with organizational commitment and job satisfaction in addition to trust in management. No significant paths between informational justice and the outcome variables were indicated.

Referring back to hypothesis set 1, procedural justice was significantly correlated with trust in management, interpersonal justice was significantly positively correlated with trust in management, organizational commitment, and job satisfaction, and none of the paths between informational justice and the outcome variables were significant.

Figure 4

Proposed Model



Note: $N = 229$; Standardized path coefficients for the Proposed Model, * $p < .05$; Only significant paths coefficients are presented.

Examinations of the significance and magnitude of the path coefficients between the predictors and outcome criteria did not support procedural justice as the strongest predictor of outcome variables. Rather, interpersonal justice was the predominant justice variable. Based on these SEM analyses, hypothesis 1a is partially supported (i.e., procedural justice significantly correlates with one of four outcome variables), hypothesis 1b is strongly supported (i.e., interpersonal justice is significantly related to three (of the four) outcome variables), and hypotheses 1c and 1d are not supported.

Table 3 provides the model fit for both Kernan & Hanges' (2002) model and the proposed model. Based on the rule of thumb of .01 differences in the *NNFI* and *CFI* between alternative models (Widaman, 1985), the fit of the proposed model was not significantly better than the fit of Kernan & Hanges' model as demonstrated by the increments of the fit indices ($\Delta NNFI = .002$; $\Delta CFI = .002$). Therefore, the data do not lend support for hypotheses 2. Although, the proposed model did not fit better than Kernan & Hanges' model, a different pattern of significant relationships between the justice variables and the outcome variables was indicated. Whereas in Kernan & Hanges' model procedural justice was significantly related to the four outcome variables, in the proposed model, procedural justice was only significantly correlated with trust in management. Furthermore, interpersonal justice was significantly related to all outcome variables except turnover intention. Informational justice was not significantly related to any of the outcome variables.

Hypothesis 3 suggested that the relationships between the three justice variables and the four outcome variables would be moderated by the content of an employee's

Table 3

Comparison of Kernan & Hanges' (2002) Model and Proposed Model

Model	χ^2	<i>df</i>	χ^2/df	<i>NNFI</i>	<i>CFI</i>	<i>RMSEA</i>
Kernan & Hanges' Model	459.916	284	1.6	.961	.966	.052
Proposed Model	442.376	278	1.6	.963	.968	.051

Note. $N = 229$; χ^2 values are significant at $p < .000$; *NNFI* = Bentler-Bonett Non-Normed Fit index; *CFI* = comparative fit index; *RMSEA* = root mean-square error of approximation.

psychological contract as depicted in Figure 2a. Specifically, justice would be more strongly related to outcome variables when the employee takes on the content of the new, rather than the old, psychological contract. Hierarchical multiple regressions were used to test the influence of the psychological contract on the four significant relationships found in the SEM analysis of the proposed model (i.e., procedural justice with trust in management, interpersonal justice with organizational commitment, job satisfaction, and trust in management).

To test hypothesis 3, four two-step moderated multiple regressions models were used. The two direct effects of justice and the psychological contract were entered as predictors in step one. The interaction between justice and the psychological contract was entered in step two. In all four models, the main predictor variables were centered by subtracting the mean of the variable to decrease the multicollinearity between the predictors and interaction term (Aiken & West, 1991).

For all four moderated multiple regression analyses, no significant interactions between justice and psychological contract or significant direct effects of psychological contract were indicated. In the prediction of trust in management, only the direct effects of procedural justice ($\beta = .679, t(13.50) = 227, p < .001$, see Table 4a) and interpersonal justice were significant ($\beta = .759, t(16.87) = 227, p < .001$, see Table 4b). Thus, as either procedural or interpersonal justice increase employees' trust in management also increases. Neither the direct effects of psychological contract ($\beta = .053, t(1.06) = 227$, NS, see Table 4a; $\beta = .031, t(.693) = 227$, NS, see Table 4b) nor the interactions with

Table 4a

Summary of Regression Analysis of Procedural Justice and the Psychological Contract in the Prediction of Trust in Management

Step and variable	<i>B</i>	<i>SE B</i>	β	<i>T</i>	R^2	ΔR^2
Step 1: Main Effects					.485	.485**
Procedural Justice (PJ)	.748	.055	.679	13.50**		
Psychological Contract (PC)	.077	.073	.053	1.06		
Step 2: Two-way interaction					.486	.001
PJ \times PC	.032	.042	.036	.745		

Note: $n = 227$; ** $p < .01$.

Table 4b

Summary of Regression Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Trust in Management

Step and variable	<i>B</i>	<i>SE B</i>	β	<i>t</i>	R^2	ΔR^2
Step 1: Main Effects					.591	.591**
Interpersonal Justice (IntJ)	.757	.045	.759	16.87**		
Psychological Contract (PC)	.045	.065	.031	.693		
Step 2: Two-way interaction					.591	.000
IntJ \times PC	.004	.037	.004	.10		

Note: $n = 227$; ** $p < .01$.

procedural justice ($F(1, 223) = .55, \Delta R^2 = .001, NS$, see Figure 5a) or interpersonal justice ($F(1, 223) = .01, \Delta R^2 = .000, NS$, see Figure 5b) were significant. For organizational commitment, a direct effect was also found for interpersonal justice ($\beta = .434, t(6.84) = 227, p < .001$, see Table 4c) indicating that as interpersonal justice increases, employees' commitment to the organization increases. Again, neither the direct effect for psychological contract ($\beta = -.008, t(-.13) = 227, NS$, see Table 4c) nor the interaction ($F(1, 223) = .01, \Delta R^2 = .000, NS$, see Figure 5c) was significant. Finally, in the prediction of job satisfaction, a direct effect was again found for interpersonal justice ($\beta = .398, t(6.14) = 227, p < .001$, see Table 4d). This indicates that as interpersonal justice increases, employees' job satisfaction increases. Once again, neither the direct effect of psychological contract ($\beta = -.119, t(-1.83) = 227, NS$, see Table 4d) nor the interaction ($F(1, 223) = .92, \Delta R^2 = .003, NS$, see Figure 5d) was significant.

Taken together, only significant direct effects were found for the predictors of outcome variables from justice. No significant direct effects for psychological contract and interactions were found. The above results do not provide any support for hypothesis 3, thus the content of the psychological contract does not seem to moderate the relationships between justice and the outcome variables.

Figure 5a

Visual of Procedural Justice and the Psychological Contract Interaction in the Prediction of Trust in Management

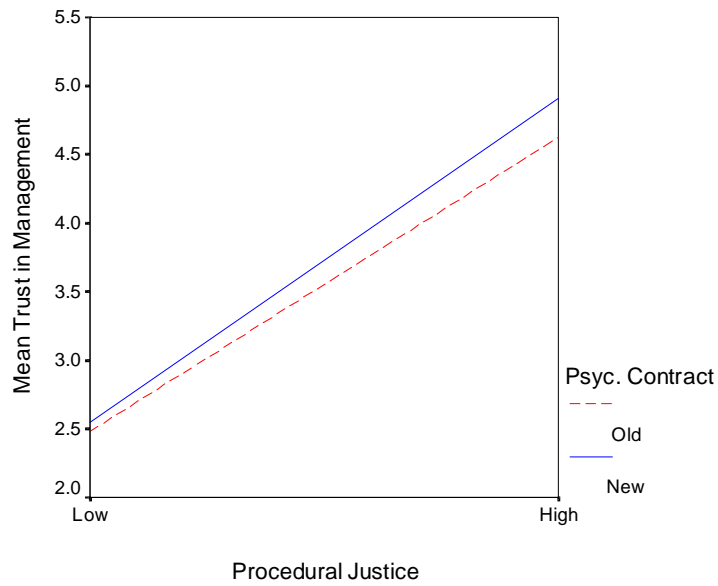


Figure 5b

Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Trust in Management

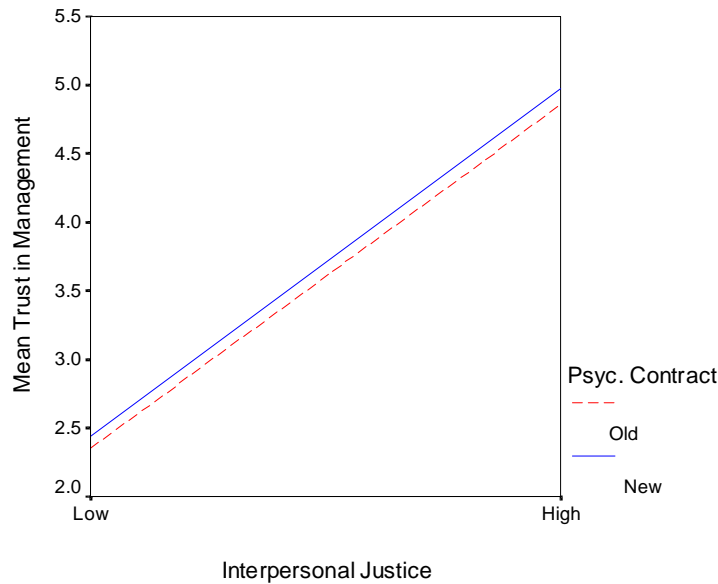


Table 4c

Summary of Regression Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Organizational Commitment

Step and variable	<i>B</i>	<i>SE B</i>	β	<i>t</i>	<i>R</i> ²	ΔR^2
Step 1: Main Effects					.186	.186**
Interpersonal Justice (IntJ)	.394	.058	.434	6.84**		
Psychological Contract (PC)	-.011	.083	-.008	-.13		
Step 2: Two-way interaction					.186	.000
IntJ \times PC	-.005	.048	-.006	-.10		

Note: *n* = 227; ** *p* < .01.

Figure 5c

Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Organizational Commitment

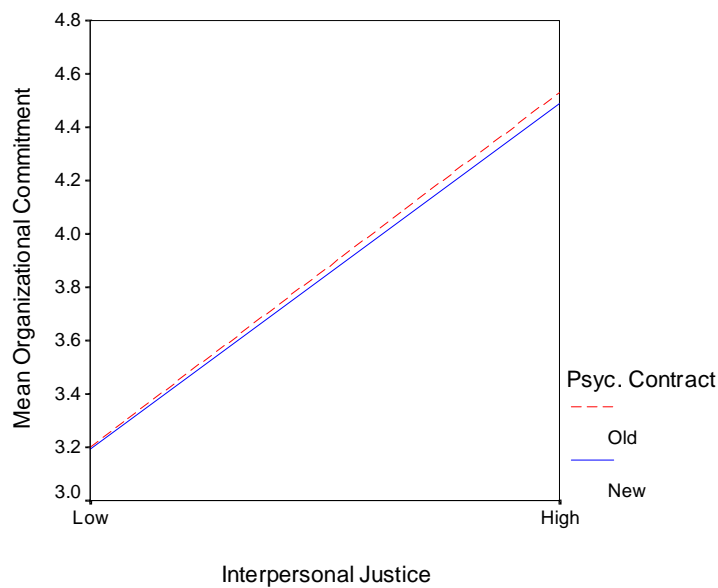


Table 4d

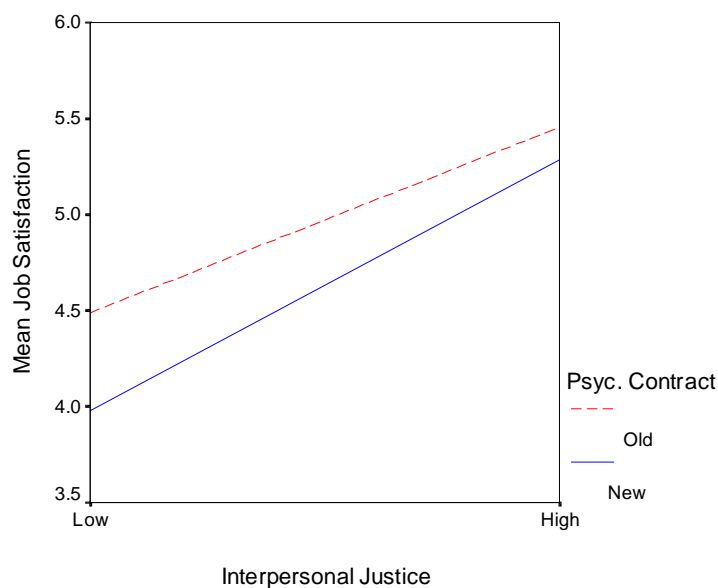
Summary of Regression Analysis of Interpersonal Justice and the Psychological Contract in the Prediction of Job Satisfaction

Step and variable	<i>B</i>	<i>SE B</i>	β	<i>t</i>	<i>R</i> ²	ΔR^2
Step 1: Main Effects					.149	.149**
Interpersonal Justice (IntJ)	.342	.056	.398	6.14**		
Psychological Contract (PC)	-.147	.080	-.119	-1.83		
Step 2: Two-way interaction					.153	.003
IntJ \times PC	-.044	.046	.060	.10		

Note: *n* = 227; ** *p* < .01.

Figure 5d

Visual of Interpersonal Justice and the Psychological Contract Interaction in the Prediction of Job Satisfaction



CHAPTER 4

DISCUSSION

The overall goal of this research was to examine the relationships of organizational justice and the psychological contract to the outcome variables in a downsizing context. Multinational data was gathered from multiple organizations. This study statistically 1) examined the relationships between survivors' perceptions of procedural, interpersonal, and informational justice and four outcome variables, 2) tested two structural models and examined the influence of common method variance and covariates, and 3) examined the psychological contract as a possible moderator of the justice – outcome variable relationships. The specific hypotheses and their general outcomes are briefly listed below.

Hypotheses 1, 2, and 3, received varying levels of support via the statistical analyses. Hypotheses 1a, 1b, and 1c predicted that procedural, interpersonal, and informational justice would be positively related to organizational commitment, job satisfaction, trust in management, and negatively related with turnover intentions, respectively. The correlational data supported these hypotheses. However, SEM analyses indicated significant relationships for procedural justice with trust in management and interpersonal justice with trust in management, organizational commitment, and job satisfaction. Therefore, partial support is indicated for hypothesis 1a and strong support is found for 1b. No support is provided for hypothesis 1c. Furthermore, hypothesis 1d suggested that procedural justice would be a stronger predictor of outcomes, compared to

interpersonal and informational justice. Neither the correlational nor the SEM data provided support for this prediction. Next, hypothesis 2 predicted that the proposed model would fit the data significantly better than Kernan & Hanges' (2002) model. Considering that both models fit well, hypothesis 2 was not supported. Finally, hypothesis 3 suggested that the relationships between the justice variables and the outcome variables would be moderated by the content of an employee's psychological contract. Four moderated multiple regressions did not provide support for this hypothesis.

Implications of Results

In spite of the various unsupported hypotheses, the data reveal a number of important findings. Although Kernan & Hanges' (2002) model fit well and was replicated, adding the six additional paths from interpersonal and informational justice to the outcome variables changed the pattern of the significant paths. Procedural justice no longer predicted all four outcome variables; it only showed one significant relationship with trust in management. Interpersonal justice demonstrated three significant relationships with the outcome variables. In addition to trust in management, interpersonal justice revealed significant relationships with organizational commitment and job satisfaction. Informational justice no longer predicted trust in management, in fact, this justice variable did not demonstrate any significant relationships with the outcome variables. Based on these results, interpersonal justice appeared to be the predominant predictor of the outcome variables.

In agreement with other survivorship research (e.g., Grubb, 2002; Ratcliff, 1992)

survivors do seem to assess the way they are treated during the downsizing activity. Furthermore, in predicting job satisfaction, Rattcliff (1992) demonstrated that survivors put more value on interpersonal justice than on procedural justice. Perhaps Kernan & Hanges (2002) would have found similar results if they would have freed up the additional six paths.

Potential Explanations for Predominant Interpersonal Justice

There could be several reasons why employees more strongly emphasize interpersonal justice than the other justice variables. Interpersonal treatment conveys the message that employees are valued (Lind & Tyler, 1988). Given the high level of job insecurity during layoffs, it may become more important for employees to feel valued and respected than further to be concerned with how decisions are made. The fact that employees feel valued and respected could explain their continued commitment to the organization and trust in management. Furthermore, the fact that employees feel that their contribution is valued may account for their reported higher levels of job satisfaction. If employees are more concerned with interpersonal treatment during downsizing, organizations could respond to their employees by empathizing with employees' job insecurity and focus on interpersonal treatment.

Prior perception of procedural and informational justice.

It may also be possible that a perception of fair interpersonal treatment implies a prior perception of fair decision-making procedures. It is not likely that one could perceive interpersonal treatment to be fair irrespective of the decision-making procedures given that procedural and interpersonal justice are positively correlated ($r = .74$). It may

be that employees who perceive procedural justice to be fair may subsequently switch their attention to how they are treated, which then becomes the predominant justice variable. Furthermore, survivors may perceive the decision-making procedure as fair because they survived the reorganization and, consequently, put a higher emphasis on how they were treated interpersonally. Similarly, it is possible that a perception of fair interpersonal treatment also implies a prior perception of the quality and accuracy of the communication regarding the downsizing activities. This is consistent with Kernan & Hanges' (2002) results, which indicated communication as an antecedent of interpersonal justice. Again, it may be that employees who perceive the communication process to be fair may subsequently switch their attention to how they are treated. This could explain the lack of significant relationships between informational justice and the outcome variables. Consequently it would be important for organizations to recognize that procedural and informational justice is necessary but not sufficient as employees switch their attention to interpersonal justice. Therefore, management should also provide employees with proper interpersonal treatment during downsizing activities.

Source of actions.

When evaluating fairness perceptions, employees consider whether the downsizing related activities stem from the organization or management (e.g., Lavelle, 1999). If employees determine that procedural justice stems from the organization that implements the downsizing activity due to environmental factors, they may attribute the procedures of the layoffs to the organization as well. In that case, they may believe that management would have less influence on the procedures related to the downsizing, but

have more influence on how they deliver the message and how they treat their employees. Consequently, employees focus on what can be influenced by management (i.e., the way management treat the employees) rather than organizational factors such as decision-making procedures. In this case, organizations could ensure proper interpersonal treatment by providing management with interpersonal skill training.

Turnover Intentions

Why did survivors not consider interpersonal treatment regarding their turnover intentions? The influence of justice on this outcome variable could depend on the context (Greenberg, 1990). Perhaps employees only consider interpersonal justice to determine their turnover intentions in a non-downsizing context (Colquitt et al., 2001), but not while going through a downsizing activity. Although, interpersonal justice in reference to general organizational practices may carry weight in determining employees' turnover intentions, interpersonal treatment in reference to downsizing may not be important for employees' turnover intentions because employees recognize that they do not have long-term job security in the current world of work. However, it could also be that interpersonal justice does not carry enough weight to consider leaving the organization because employees are uncertain whether or not they find another job given the unstable economic environment.

Furthermore, the proposed model does not account for much of the variance for turnover intentions as demonstrated by the lack of significant relationships. Perhaps this is due to the ordering of the outcome variables. Several models of turnover intention suggest a more complex model of the outcome variables (e.g., Griffeth & Hom, 2001;

Spreitzer & Mishra, 2002)). For example, job satisfaction often precedes commitment, which in turn impacts employees' turnover intentions. Perhaps, a more complex model depicting a different order of paths among the outcome variables could have increased the significant paths to turnover intentions in the proposed model.

Potential Explanations for Different Study Results

As previously noted, the majority of the hypotheses in this study are not supported. There are four potential reasons why findings in this study differ from those found in the previous literature: 1) differences in how justice variables are measured and labeled (e.g. interpersonal/interactional versus informational justice), 2) the number of justice variables included in the study (one versus two versus three), 3) whether or not all justice variables were allowed to correlate with each outcome variable, and 4) the context of the research.

One potential reason that could account for the discrepancies between the results of the current study and those found in previous research is the content of the questionnaires used to assess justice variables. For example, the content of some questionnaires measuring interactional justice (e.g., Cooper-Schneider, 1989; Spreitzer & Mishra, 2002) pertained more to employees' perceptions regarding communication than interpersonal treatment. The fact that these questionnaires were heavily focused on informational justice could explain the non-significant relationship with organizational commitment. This is consistent with the current study in that results did not provide support for a significant relationship between informational justice and organizational commitment. Furthermore, Cooper-Schneider's study (1989) categorized employees'

fairness perceptions of caretaking activities that were provided for the victims as part of procedural justice. However, this caretaking dimension could best be considered as interpersonal treatment. Given that Cooper-Schneider (1989) indicated a significant path between caretaking activities and organizational commitment, support is provided for the significant relationship between interpersonal justice and organizational commitment observed in the current study.

Next, procedural justice is the most commonly studied justice variable within the organizational justice literature, and the existing research did not always include interactional, interpersonal and/or informational justice variables (e.g., Daly & Gaver, 1994; Davy et al., 1991). Additionally, the few studies that have included interactional, interpersonal, or informational justice did not always examine all relationships between these justice variables and the outcome variables (e.g., Kernan & Hanges, 2002; Masterson et al. 2000). It is possible that a pattern similar to that found in the current study would have emerged had all justice variables been included and allowed to correlate with all of the outcome variables.

Finally, some studies that have included interactional or interpersonal justice found support for the influence of interpersonal treatment on employees' job satisfaction in a non-downsizing context (Colquit et al., 2001; Masterson et al., 2000). Although the results of previous research provided support for the significant path between interpersonal justice and job satisfaction in the current study, they do not provide support for interpersonal justice as the predominant predictor of outcome variables. Perhaps, this incongruence could be explained by the context (non-downsizing versus downsizing) in

which employees consider procedural and interpersonal justice in relationship to their job satisfaction.

Another surprising result in the current study was that the content of the psychological contract clearly did not moderate the relationships between the justice and the outcome variables. Perhaps, these results were not found due to the measure used in this study. Initially, the psychological contract measure included three domains (career development, commitment to profession, job security) that comprised the content of the psychological contract based on Noer's (1998) work. However, due to extremely low reliabilities of the career development ($\alpha = .08$) and commitment to profession ($\alpha = .41$) scales, these scales were deleted resulting in only one scale (job security, $\alpha = .79$) measuring the content of the psychological contract. It is possible that a more comprehensive measure of the psychological contract with a higher internal consistency reliability would have found the expected results.

It is also possible that the levels of perceived fairness are influenced by the content of the psychological contract and, therefore, each of the justice variables may act as a mediator. For example, employees working on the content of the old psychological contract would see downsizing as a contract violation and hence have lower levels of fairness perceptions. Therefore, the content of the psychological contract could determine the level of the employees' perceived fairness, which is in agreement with Cropanzano & Prehar (2001) suggestion that justice mediates the relationship between the psychological contract and the outcome variable.

To examine this possible mediating relationship, an additional confirmatory factor analysis was performed (see Figure 6). This model fit the data at an acceptable level ($\chi^2(406) = 603.07, p = .000, \chi^2/df = 1.5, NNFI = .959, CFI = .964, RMSEA = .046$).

Significant paths from the psychological contract scale confirmed that the content of the psychological contract influenced levels of procedural, interpersonal, and informational justice. Survivors working under the content of the new psychological contract (i.e., did not expect long-term job security) reported higher levels of perceived procedural, interpersonal, and informational justice. Furthermore, procedural justice was positively related to trust in management and interpersonal justice positively impacted employees' organizational commitment, job satisfaction and trust in management.

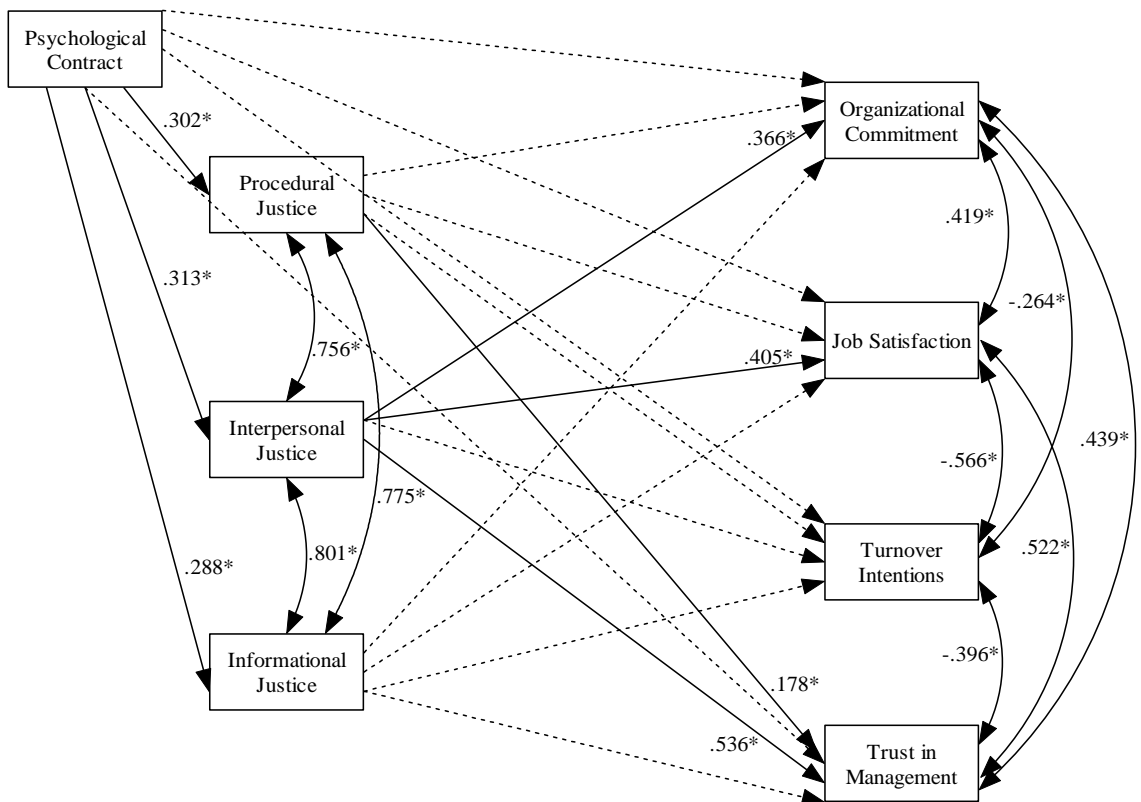
Although the current research did not support the psychological contract as a moderator, the data provide interesting findings that indicate that the content of the psychological contract does seem to influence the levels of employees' fairness perceptions regarding downsizing.

Recommendations for Organizations

The results imply a number of practical implications for organizations. In a fast changing environment, organizations are expected to be highly dynamic in order to remain competitive. Organizations are likely to continue implementing reorganizations that include downsizing in today's world of work. Therefore, it is critical to manage employees' fairness perceptions, specifically interpersonal fairness perception, as this has been shown to influence at least organizational commitment, job satisfaction, and trust in management. Although, employees' fairness perceptions did not influence their turnover

Figure 6

Mediator Model



Note: $n = 227$; Standardized path coefficients for the Mediator Model, * $p < .05$;
Only significant path coefficients are presented.

intentions, their intention to leave the organization could be impacted by their levels of commitment, job satisfaction, and trust in management.

Justice Perceptions

All in all, interpersonal justice carries most weight for employees' organizational commitment, job satisfaction, and trust in management. This provides organizations the chance to counteract many of the negative effects often associated with downsizing by emphasizing on the interpersonal treatment of employees. Kernan and Hanges' (2002) results indicated that several antecedents significantly influence interpersonal justice. These antecedents are employee input, support for victims, communication, and implementation. Organizations are likely to manage employees' fairness perception regarding interpersonal treatment by encouraging employees to participate in decisions regarding the downsizing activities and providing adequate opportunities to do so. This conveys the message to employees that management has acted in the employees' best interest (Kernan & Hanges, 2002).

Furthermore, organizations could provide support for employees by providing career counseling and adequate severance packages (Kernan & Hanges, 2002). Brockner and Greenberg (1990) suggested to provide assistance to victims to find a job elsewhere, offer early retirement, and continue providing benefits to those who lost their jobs. Communication provided by management also influences employees' interpersonal treatment perceptions (Kernan & Hanges, 2002). Therefore, management should focus on providing adequate, accurate, and clear communication regarding issues related to the downsizing activities (Brockner & Greenberg, 1990; Wong, 1999). Noer (1998) suggests

that organizations cannot give employees too much information in these times of change (Noer, 1998). Finally, the implementation of the layoffs impacts employees' interpersonal fairness perceptions. It is important that the downsizing activity accomplishes the objectives the organization set out at the beginning of the downsizing process and that management's actions are congruent with what they said they were going to do in their efforts to achieve these objectives (Kernan & Hanges, 2002). Although, it may not always be possible to achieve the objectives the organization said it would accomplish by downsizing, it remains important that the organization including management "walks the talk" during the downsizing process.

Furthermore, management could alleviate many of the unintended negative effects of downsizing by focusing on management's interpersonal skills. If necessary, the organization could provide training in which management learns to improve interpersonal skills and provide tools/ technique in how to help employees cope during difficult situations such as downsizing (Noer, 1998).

As far as managing employees' perceptions regarding procedural justice, organizations should pay attention to applying fair, consistent, and unbiased procedures during the decision-making process in the effort of maintaining and/or increasing employees' trust in management. Providing employees input in the decision-making procedure is a significant antecedent to managing employees' fairness perceptions (Kernan & Hanges, 2002). The organization could engage or increase current engagement of employees in the decision-making process in various ways. Organizations could engage employees by 1) providing opportunities to discuss how decisions are

made, the rationale behind the decisions as well as the decision-making process, 2) providing opportunities for employees to voice their opinion, and 3) providing opportunities for employees to provide input into the decision-making procedures. The level of detail on the decision and its process, the level of employee voice and input depends on the type of decisions the organization faces.

Encouraging employees to express their opinion and provide input can be achieved by providing a safe environment in which employees feel safe to raise concerns, suggestions, ideas, etc. Increasing employees' fairness perception on the decision-making procedure could also result in commitment to and ownership of changes. In order to take ownership of changes, employees need the opportunity to process the information, reflect on the information, provide input and ideas, and contribute to solving challenges the organization faces. This creates motivation within employees and a sense of accountability to move changes forward. Another advantage of encouraging employees to provide input is access to more ideas and, possibly, solutions. As organizations grow more complex and demanding, more ideas are necessary to create opportunities and solutions. Employees who generally have different perspectives are able to provide various ideas.

Employees can be engaged through interactive meetings during which they have the opportunity to process important information, reflect on the information, provide feedback, input, ideas, ask questions, raise concerns, find out how it affects them, and think about how they can help. The format of these meetings should focus less on presenting the content and more on providing opportunities

The Psychological Contract

As the content of the psychological contract appears to influence employees' fairness perceptions, it would also be important for organizations to focus on the content of the psychological contract. Noer (1993) provides suggestions for how to help employees adopt the content of the new psychological contract. First, both employees and organizations need to adopt the content of this new contract and organizations should be honest when hiring new employees and inform about the content of the new psychological contract. As the new psychological contract focuses on short-term employment, organizations should show consistency with this new employment relationship. For example, creating flexible and portable benefits plans so employees do not feel obligated to stay with an organization because of the benefit package. Additionally, organization should celebrate employees' departures to show support of employees' transitions to new jobs. Organizations could support and encourage employees who want to leave and rehire employees without penalties.

It would also be important to create a tenure-free recognition system that focuses on celebrating achievement instead of tenure (Noer, 1993). For example, organizations could reward good performance with acknowledgement and provide employees with new opportunities for networking, working in teams, and coaching, which will help them increase their skill set. Organizations should refrain from promotion based on tenure as this is not congruent with the content of the new psychological contract. Furthermore, organizations should make an attempt not to distinguish between full-time, part-time, and

contract employees, as this is not congruent with the content of the new psychological contract either.

Organizations should also refrain from long-term career planning within the company as this fits the content of the old psychological contract but not the content of the new psychological contract (Noer, 1993). Organizations could implement career reviews during which employees reflect on their career and decide whether or not it is time to move on to a different job. Organizations could also offer opportunities for learning new skills. However, employees could also take responsibility by seeking opportunities to empower themselves and, in turn, organizations should provide these opportunities and support and encourage employees' empowerment and autonomy (Noer, 1993).

Study Limitations

It is likely that the results of this study could be simply strengthened with a larger sample size. Although, several sources indicated that a sample of at least 150 participants is sufficient to perform SEM analyses (Anderson & Gerbing, 1988), others (e.g., Boomsma, 1983) encourage a larger sample size. Similarly, samples sizes as large as 240 (Stone-Romero & Anderson, 1994) and 392 (Cohen, 1988) are recommended to strengthen results of moderated multiple regression analyses. Additionally, another weakness of this study is the fact that two samples were combined in order to have an adequate sample size to perform the moderated multiple regression and the SEM analyses. As noted earlier, due to the fact that employees in the second sample experienced minimal staff reduction during the reorganization, the terminology in several

questionnaire items was changed from “staff reduction” to “reorganization”.

Furthermore, the levels of reported commitment to their organization was significantly different for each sample. Perhaps, a more homogeneous sample could have strengthened the study results due to an increased internal validity of the research. However, the limitation of current heterogeneous sample is also a benefit in that it increases the external validity of the findings.

Next, a more internally consistent and content valid measure of the psychological contract could produce stronger, more definitive results. As discussed previously, a more comprehensive measure of the psychological contract by adding more domains (e.g., career development) could also produce stronger results providing support for the last hypothesis. Furthermore, the current study assumed that downsizing was a contract violation for the employees who work under the content of the old psychological contract, and therefore did not assess for contract violation. However, adding questionnaire items that assess contract violation could have strengthened the results.

The measures rely on self-report, and even though the respondents are the best reporters of their perceptions and experiences, this approach is commonly associated with response bias. However, the use of single-common-method factor indicated that the data were not significantly influenced by common method variance providing evidence that the data was not much affected by response bias. Although, common method variance did not seem to have a significant impact on model fit, the common method variance was not assessed via a true common method factor such as dispositional affect or social desirability (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) The reason for not using a

true method factor in this study was simply because the questionnaire had to be kept as short as possible to gain organizational support for administration.

This study is also subject to self-selection bias. It is possible that employees who fare better were more inclined to participate than the ones who experienced more negative effects. Conversely, it is also reasonable to expect employees faring worse to participate in the hopes that this study may help them cope better with the aftermath of the layoff. Either way, it is possible that self-selection either inflates or deflates the results. Additionally, the respondents' perceptions may be different from the organizations' perspective. However, this may be perceived as strength as it is the employees' perceptions and experiences that determine the effects of downsizing, not the organization's perspective.

Finally, this study design was a one-time data collection of survivors' experiences. Cross-sectional data may have an impact on the requirements of causal relationships among variables in SEM (MacCallum & Austin, 2000). This would make it difficult to conclude that the justice variables truly influence the outcome variables. Ideally, a longitudinal study including pre-, post- and follow-up data collection is preferable to determine causal effect among variables. However, it unlikely that organizations will allow their employees time to fill out a questionnaire pertaining to the same topic multiple times. Nevertheless, the findings are still a valuable source of information for organizations and the justice literature.

Suggestions for Future Research

Research that expands this study should focus on using purer measures of procedural, interpersonal, and informational justice to explore the unique contributions of each justice variable on the various outcome variables. Perhaps the use of purer measures will allow for more consistent results and a greater understanding of the unique contributions of the justice variables. When examining the influence of justice variables, it would be important to include all justice variables to explore each of their contribution to the outcome variables allowing all justice variables to correlate with the outcome variables. It is likely that the influence of interpersonal and informational justice was not demonstrated in previous research because interpersonal and informational justice variables were not included, or when they were included, their relationships to the outcome variables were not explored. The context of the research is also important to consider as employees may emphasize different justice variables depending on the situation (e.g., layoffs). Furthermore, utilizing a more complex model, illustrating a different order of relationships among the outcome variables, could demonstrate more significant results. After consistent results have been documented regarding the importance of specific justice variables in a downsizing context, perhaps further research can be conducted to explore why one justice variable is more influential than another.

Another suggestion for future research includes the use of supplemented questionnaires. Although, common method variance assessed by a single common-method factor did not seem to have a significant impact on model fit in this study, it is suggested that future research consider using dispositional affect and social desirability

scales to assess common method variance. Furthermore, creating a more robust and comprehensive measure of the psychological contract or doing a more exhausting search on existing measures with proven content and construct validity might improve one of the limitations of the current study. Another way to strengthen the results would be to use data from multiple sources (e.g., perceptions of worker's family, colleagues) and data from objective measures for performance and turnover to determine the effects of downsizing on survivors. Last, although it may be difficult to gain permission from organizations to do a pre-, post-, and follow-up study, researchers should not be discouraged from attempting to gain organizational approval for conducting a longitudinal study as this type of study provides more insight in the causal relationships between the justice and outcome variables.

Despite the limitations of this study, its findings may be a valuable source of information for organizations and researchers planning to conduct research in this area.

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