

# Psychological contract breach effects and violation on employees



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## **Abstract**

The goal of this study is to examine the influence of personality on the relationship between psychological contract breach and violation and its respective impact on employees work-related outcomes such as turnover intentions and counterproductive work behaviors.

In this paper, personality was assessed on the basis of the Five-Factor model of personality (Goldberg, 1990) that is comprised of the following dimensions: Extraversion, Conscientiousness, Agreeableness, Emotional Stability and Openness to Experience.

## **Introduction**

In difficult times when companies must adapt to different changes in the global economic climate work behaviors are of great interest to organizations. In trying to retain the best employees, managers are interested in reducing turnover and preventing counterproductive behaviors. In order to understand employee' responses and reactions to the work environment, contracts become vital as they create a behavioral guideline for both the employee and the organization.

The psychological contract is a major element of any employee - organization relationship, and consists of " an employee's beliefs concerning the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (Rousseau, 1989, p. 123).

Employees often feel that their organization has not fulfilled at least some of the promises it has made; and when they do their psychological contract is

said to have been breached (Robinson and Rousseau, 1994). Numerous studies have analyzed the consequences of psychological contract breach on employees' work-outcomes and generally conclude that there is a positive relationship between psychological contract breach and job dissatisfaction and turnover intentions (Zhao, Wayne, Glibkowski, & Bravo, 2007; Bal, de Lange, Jansen and Van der Velde, 2008).

Psychological contract violation has been defined as " feelings of betrayal and deeper psychological distress ... [whereby]... the victim experiences anger, resentment, a sense of injustice and wrongful harm" (Rousseau, 1989, p129). While psychological contract breach may not always lead to undesirable work-related attitudes, it is expected that employees who experience intensely negative feelings might take different measures against the organization they work for (Suazo et al., 2005). This is why in this paper we focus on the role of psychological contract violation as the mediator between psychological contract breach and employees work-related outcomes.

But do all people have the same reactions to contract breach or could it be that there are individual differences in personality that lead some employees to react more strongly to psychological contract breach than others? Many authors have investigated the relationship between personality traits and job related outcomes (Judge, Heller and Mount, 2000; Tallman and Bruning, 2008), but there is little research on the relationship between personality and psychological contract breach and violation.

Raja, Johns and Ntalianis (2004) is one of the few articles that report on the impact of personality on psychological contracts. These authors found that people high in neuroticism and low in conscientiousness are the ones that are more likely to perceive psychological contract breach. Moreover, the paper revealed that some personality traits moderated the relationship between psychological contract breach and violation. People high in neuroticism tended to perceive a stronger relationship between breach and violation than people high in locus of control.

The main focus of this paper is to gain a better understanding of the psychological contract breach and violation relationship by analyzing whether this relationship is moderated by the Five-Factor model of personality (Goldberg, 1990). The study tries to fill in a gap in the existent psychological contract literature by examining the extent to which personality can explain changes in employees' attitudes. Compared to other studies in the field, this study focuses on all five personality traits of the Five-Factor model of personality (Goldberg, 1990).

This study is structured as follows: the next section describes the current state of the art with respect to psychological contract breach and violation; section three includes the research method and data collection; results will be discussed in section four and the main findings and implications for study and practice along with limitations and suggestions for future research in section five.

## **Literature review and hypotheses**

### **The psychological contract**

As explained in the introduction, the term psychological contract is used to explain the relationship between an employee and an employer and the promises they have made to one another.

Many researchers have explained the psychological contract in terms of social exchange theory. This theory (Blau, 1964; Robinson and Morrison, 1995) suggests that individuals enter relationships which consist not only of economic exchanges but also of more diffuse social obligations. These obligations change over time, but research has shown that individuals feel most comfortable when they are in a balanced exchange environment (Gouldner, 1960; Wayne, Shore and Liden, 1997), an environment where they feel that there is a fair equilibrium between what they offer the organization and what they receive in return.

When the organization fails to fulfill its promises, employees might feel that there is inequality in the employment relationship (Lester, Turnley, Bloodgood and Bolino, 2003) and might as a result be inclined to take actions to rebalance their work situation, by for example reducing their contribution to the organization (Rousseau, 1995).

### **Psychological contract breach and violation**

The psychological contract is a subjective perception, so the employee and the organization can possess radically different views of what are the obligations or promises that they have made to one another (Robinson and Rousseau, 1994). This is why often employees feel that their psychological

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contract has been breached and that the organization has failed in keeping its promises (Robinson and Rousseau, 1994). Although both the employee and the employer can feel that the contract has been breached by the other party, in this paper, as in many investigations on the psychological contract (cf. Zhao et al., 2007) the focus is on the perspective of the employee.

In the early phases of research into the psychological contract there was not a very clear distinction between psychological contract breach and psychological contract violation and researchers used these terms interchangeably (Suazo, Turnley, Mai, 2005). In 1997, Robinson and Morrison made a clear distinction between the two. These authors defined psychological contract breach as a cognitive perception, while psychological contract violation was defined as the emotional or affective reaction that can sometimes arise from the perception of a breach of the psychological contract (Morrison and Robinson, 1997). Research has shown that not all breaches lead to emotional reactions on the part of employees (Morrison and Robinson, 1997; Turnley and Feldman, 1999a) because these emotional reactions can be influenced by different individual differences such as personality (Raja et al., 2004) or fairness perceptions (Morrison and Robbinson, 2000), but in those cases where emotional reaction does occur the employee may have feelings of anger, injustice, resentment and distrust toward the organization that has not honored its promises (Raja, Johns and Ntalianis, 2004).

Several studies have linked psychological contract breach to violation. Zhao, Wayne, Glibkowski, & Bravo (2007) have summarized these studies and report a meta-analytic correlation of 0.52 ( $p < .01$ ) between the two. The <https://assignbuster.com/psychological-contract-breach-effects-and-violation-on-employees/>

authors explain that the findings are consistent with affective event theory, which specifies that negative emotions are a probable consequence of the breach. Even more, the authors emphasize the importance of separating the two concepts: breach and violation as not all authors are yet doing so.

In line with research findings and with social exchange theory, it is proposed here that psychological contract breach is positively related to psychological contract violation.

Hypothesis 1: Psychological contract breach is positively related to psychological contract violation.

## **Psychological contract breach and employees' responses**

Previous studies have linked psychological contract breach to negative work outcomes (Robinson and Rousseau, 1994; Robinson and Morrison, 1995).

When psychological contract breach occurs, employees start reducing their contribution to the organization as they feel that the organization has failed them (Robinson, 1996). Turnover intentions and counterproductive behaviors are employee' possibilities of reducing their efforts and contributions towards the organization they work for.

Zhao et al. (2007, p. 651) define turnover intentions as " the subjective probability that an individual will leave his or her organization within a certain period of time". The meta-analytic study shows that there is a positive correlation between psychological contract breach and turnover intentions ( $r = .42$ ,  $p < .01$ ). Bunderson (2001) and Raja et al. (2003) also showed that psychological contract breach is positively correlated to an

employee's intention to quit. According to the social exchange theory  
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employees see their employment relation in a highly unbalanced situation and they may decide to seek employment elsewhere (Suazo, Turnley, Mai, 2005). Thus, psychological contract breach is likely to be correlated to employees' intention to quit.

Hypothesis 2a: Psychological contract breach will be positively related to turnover intentions.

Counterproductive behavior can be seen as destructive reactions toward an organization (Kickul, Neuman, Parker, Finkl, 2002). When employees feel that their psychological contract has been breached their level of commitment and trust in their organization decreases (Ball, Trevino, Sims, 1994) and they might react destructively toward the organization (Kickul et al., 2002). This reaction may be characterized by a set of different deliberate acts that harm the organization or even the organization's stakeholders such as clients, owners or supervisors (Spector and Fox, 2005).

Counterproductive behavior is a very broad construct which contains behaviors ranging from theft or sabotage to violence against others (Gruys and Sackett, 2003). Each one of these actions create great problems to the organization and are also economic threats as organizations need to spend money to protect themselves against such actions (Bennett and Robinson, 2000). The employees' counterproductive actions may even escalate until the level where they interfere with co-workers' jobs or where they give a disrespectful treatment to their supervisors (Kickul et al., 2002).

Bordia et al. (2008) found that the psychological contract breach was

positively related to both minor offenses ( $\hat{\rho}^2 = 0.44$ ,  $p < .001$ ) and major  
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offenses ( $\hat{\rho}^2 = 0.49$ ,  $p < .001$ ) of the employees at the work place. Following on their results, we propose that psychological contract breach will be positively related to the employee's counterproductive behavior.

Hypothesis 2b: Psychological contract breach will be positively related to counterproductive behavior.

## **Psychological contract violation**

Prior to 1977, the terms psychological contract breach and psychological contract violation were used as synonyms, so much of the existent literature focused on the relationship between psychological contract breach and employees' responses. Only after the paper of Robinson and Morrison (1997) the two became the separate concepts as we know them now.

In this part of the paper we introduce psychological contract violation as a mediator of the relationship between psychological contract breach and employee's reactions. As not all contract breaches results in feelings of violation and not all employees' respond negatively to their psychological contract being breached (Morrison and Robinson, 1997; Rousseau 1995, Turnley et al., 2003) we believe that it would be interesting to test whether psychological contract violation could have a mediating effect on the psychological breach - employee's reactions relationship.

One paper that focuses on the mediating role of psychological contract violation is the meta-analysis of Zhao et al. (2007). The authors use affective events theory to explain the relationship between psychological contract breach, affect (violation and mistrust), job attitudes and individual effectiveness. Following this theory, a negative event at the workplace  
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causes negative emotional reactions, which in turn are taught to cause negative work attitudes (Bal et al., 2008). In their study, the authors find psychological contract breach to be a negative event leading to emotional reactions and job attitudes. The authors found that psychological contract violation fully mediated the relationship between psychological contract breach and job satisfaction, organizational commitment and intentions to quit.

While psychological contract breach may not always lead to undesirable work-related attitudes, it is expected that employees who experience intensely negative feelings (psychological contract violation) will take some measures (such as leaving the organization or working less) against their organization (Suazo et al., 2005). Based on the affective events theory we expect that psychological contract violation will mediate the relationship between psychological contract breach and employee responses toward the organization they work for.

Hypothesis 3a: Psychological contract violation will mediate the relationship between psychological contract breach and employee's turnover intention.

Hypothesis 3b: Psychological contract violation will mediate the relationship between psychological contract breach and employee's counterproductive behavior.

## **2. 5 The moderating role of personality**

Robinson and Morisson (2000) showed that attributions and fairness

perceptions moderate the relationship between psychological contract

breach and violation. The authors explain that when employees felt that they  
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were treated unfair there was a stronger relationship between the breach of the psychological contract and an emotional reaction to it, so lower levels of fairness were predicting violation. Other papers suggested that organizational influences and also employees' personal dispositions may be predictors of psychological contracts (Rousseau, 1995; 2001). But only little research has been conducted on the relationship between personality and psychological contract breach (Raja et al., 2004; Tallman and Bruning, 2008) even though there are a lot of papers that emphasize the importance of personality on work attitudes such as job performance or job satisfaction (Barrick and Mount, 1992; Judge and Bono, 2001).

The focus of this study is to analyze whether personality might moderate the relationship between psychological contract breach and violation. We consider that personality could significantly influence this relationship because personality can explain " how people differ in their social interactions, reaction to perceived injustice and attachment of importance to various extrinsic and intrinsic outcomes" (Raja et al., 2004, p354). Zhao et al. (2007) also state that future research should focus on personality as a moderator when studying psychological contract breach and outcomes. The personality dimensions used in the paper are derived from the Five-Factor model of personality (Goldberg, 1990) and consists of 5 personality types: Extraversion, Neuroticism (Emotional Stability), Agreeableness, Conscientiousness and Openness to Experience. We chose this model of personality because it has been used in a variety of studies (Barrick and Mount, 1991; Judge, Heller and Mount 2002, Raja et al., 2004) and have been related to numerous work attitudes and behaviors (Costa and McCrae, 1992).

Raja et al. (2004) article is one of the very few studies that established a connection between personality and psychological contract breach. These authors studied only the effect of Neuroticism, Extraversion and Conscientiousness, because they were unable to establish a reliable level of measurement for the Agreeableness dimension and considered Openness to Experience to be a too controversial structure. Still, in a more recent study of Tallman and Bruning (2008) the authors were able to measure all of these personality dimensions with the help of the NEO Five-Factor Inventory questionnaire, so we decided to also focus on all five personality aspects and their relation to the psychological contract breach and violation.

The authors (Raja et al., 2004) found that employees' personalities are related to their contract choice, as people high in neuroticism will tend to choose transactional contracts, while people high in conscientiousness or extraversion prefer relational ones. Transactional contracts are characterized by short-term economically focused attitudes and relational ones by a set of long-term attitudes that include features like loyalty or security (Raja et al., 2004). The authors also found that people who were more sensitive to equity issues (equity sensitivity dimension) were more likely to feel negative emotional reaction when their psychological contract was breached, than people who were more internal (external locus of control dimension).

Tallman and Bruning (2008) extended the study of Raja et al. (2004) and the research on the relationship between psychological contracts and personality, by studying the link between employees' personality and their beliefs regarding the employee's obligations and organizational behavior.

The authors linked personality to nine employee psychological contract  
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obligation dimensions: commitment to the organization, commitment to the job, stewardship behaviors, showing initiative, serving the needs of the organization, support in the job, growth, support as a person and existence and their results showed that employee's personality explained the variance for 4 out of 9 dimensions. Even more, they found that each of the Five-Model Personality dimensions was related to at least one of the dimensions, indicating that using all the 5 personality types was important for the study.

As research has showed personality is an important factor in employees' beliefs regarding their psychological contract; this is why we believe that personality might moderate the relationship between psychological contract breach and violation, influencing the extent to which employees perceive there psychological contract being violated and not only breach.

The next part of this chapter will be divided according to the Five-Factor Model: Extraversion (1), Neuroticism (Emotional Stability) (2), Conscientiousness (3), Agreeableness (4) and Openness to Experience (5).

## **Extraversion (1)**

Extroverts are highly sociable, talkative, energetic, ambitious and assertive (Costa, McCrae, 1992). The assertiveness of extroverts is associated with a desire for increased status and salary (Cattell, 1981).

Extraversion is associated with high job performance, job satisfaction and team performance (Judge and Ilies, 2002; Judge and Bono, 2000; Kickul and Wiesner, 1997). Previous studies have shown that there is a positive relationship between extraversion on the one hand and job satisfaction

(Judge et al., 2002) and organizational commitment (Erdheim et al., 2006) on <https://assignbuster.com/psychological-contract-breach-effects-and-violation-on-employees/>

the other. Even though extroverts are seeking for monetary rewards they tend to form long-term relationships, because in these ones they can develop themselves and have better opportunities to gain a better status and a better income (Tallman and Bruning, 2008).

Tallman and Bruning (2008) found that there was a positive correlation between the extroversion personality dimensions and the perceived obligation extrovert people felt organization towards them in fulfilling their growth needs ( $\hat{\rho}^2 = .25, p < .01$ ) and in supporting them as a person ( $\hat{\rho}^2 = .15, p < .10$ ).

Extroverts are high performers and they are committed to their organization (Tallman and Bruning, 2008), in addition they are assertive, so they will tend to stand up for their rights. Breaching the psychological contract of extroverted people will probably lead to stronger negative emotional feelings toward the organization they work for than when comparing to introverted people. This is why it is proposed here that extroverts will be more likely to react emotionally to their psychological contract being breached than non-extroverts.

Hypothesis 4b: Extraversion moderates the relationship between psychological contract breach and psychological contract violation, so that the relationship between psychological contract breach and psychological contract violation is stronger for extroverts than for introverts.

## **Neuroticism (2)**

People high in neuroticism are anxious and lack trust in people, and it is said that they are more prone to perceive failures in life (Judge, Higgins, <https://assignbuster.com/psychological-contract-breach-effects-and-violation-on-employees/>)

Thoresen, Barick, 1999). They have a greater tendency to pay attention to the negative side of a situation than other people who have a more balanced view of things (Ho, Weingart, Rousseau, 2003). They are usually poor team performers and they fear change (Kichuk and Wiesner, 1997).

Previous research has shown a negative relationship between neuroticism and job satisfaction (Judge et al., 2002). Other authors have linked neuroticism to a preference for transactional psychological contracts (Raja et al., 2004) because these contracts do not require much initiative or confidence (Raja et al., 2004). Tallman and Bruning (2008) showed that neuroticism is positively related to the organization's obligations to provide support for the employees and to stewardship behavior.

Because people high in neuroticism are more worried and anxious we believe that their reaction to a psychological contract breach would be stronger than that of people emotionally stable. This is why we propose that people high in neuroticism will have stronger emotional reaction and will tend to perceive their psychological contract as being violated.

Hypothesis 4a: Neuroticism moderates the relationship between psychological contract breach and psychological contract violation, so that this relationship is stronger for people high in neuroticism than for those low in neuroticism.

### **Conscientiousness (3)**

Conscientiousness is related to an individual's degree of self-control, need for achievement, order and also persistence (Costa, McRae & Dye, 1991).

Conscientious people tend to be more concerned with tasks accomplishment  
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than with the task rewards (Stewart, 1996) and are interested in forming long-term employment exchange relationships (Zhao and Chen, 2008).

Research has shown that there is a positive relationship between conscientiousness and work-related outcomes such as job satisfaction (Judge et al., 2002) or commitment (Erdheim, 2006). Orvis et al. (2008) tested the hypothesis that conscientiousness moderates the relationship between psychological contract breach and work outcomes. In their study, the authors showed that lower levels of conscientiousness led to a higher level of perceived psychological contract breach and lower levels of job satisfaction, organization loyalty and higher levels of intentions to quit.

Raja et al. (2004) also found that there is a strong relation between conscientiousness and psychological contract breach: people with higher levels of conscientiousness perceived lower levels of psychological contract breach. Thus, it is expected here that it is unlikely that conscientious people will feel that their psychological contract has been violated upon perceiving a breach of their psychological contracts.

Hypothesis 4c: Conscientiousness moderates the relationship between psychological contract breach and violation, so that the relationship between psychological contract breach and psychological contract violation is stronger for people low in conscientiousness than for those high in conscientiousness.



## **Agreeableness (4)**

The agreeableness personality dimension refers to a person's preferences for interpersonal interactions that can range from compassion to antagonism (Costa & McCrae, 1992).

One of the few papers that investigated the relationship between agreeableness and psychological contract breach and work-related outcomes is the paper by Tallman and Bruning (2008). In their research, the authors show that there is a positive correlation between the agreeableness personality dimension and that perceived obligation agreeable people feel their organization has in supporting its employees ( $\hat{\rho}^2 = .20, p < .05$ ) and a negative one concerning the employees' perception of commitment to the job ( $\hat{\rho}^2 = -.14, p < .10$ ).

Agreeable people value their interpersonal relationships and are characterized as being very interested in maintaining positive relations with the people that surround them (Ho, Weingart, Rousseau, 2003). The fact that agreeable people are more prone to maintaining long-term and pleasant relationship with others might have an effect on their perception of their psychological contract being breached. Because the psychological contract is an agreement made between two parties and involves an interpersonal element, agreeable people might be more tolerant and forgiving so it might make agreeable people feel fewer negative emotional reactions to breach than other personality types.

Hypothesis 4b: Agreeableness moderates the relationship between psychological contract breach and violation, so that this relationship is

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stronger for people low in agreeableness than for those high in agreeableness.

## **Openness to Experience (5)**

Openness to Experience represents open-minded individuals, who are imaginative, inventive, creative, curious and unconventional (Costa and McCrae, 1992).

Open people have a high need for autonomy and tend to be creative and adaptive to change (Costa and McCrae, 1992). Furthermore, open employees are less likely to feel that they must serve the organization or their managers and will look for organizations that will allow them enough freedom to try new ideas and approaches in their activities (Tallman and Bruning, 2008). Because open employees will look for interesting and challenging jobs, we would consider that they will also seek an organization that supports their decisions and that allows them to grow and satisfy their needs (Tallman and Bruning, 2008). This is why we expect that they might feel strong negative emotions when their freedom is limited or when they don't feel their organization's support.

Hypothesis 4e: Openness to experience moderates the relationship between psychological contract breach and violation, so that this relationship is stronger for people high in openness than for those low in openness.

## **Research model**

In the previous sections four sets of hypothesis were established. As shown in the figure, the principal relation in the paper is the one between

psychological contract breach, violation and employees' responses (turnover intentions, counterproductive behavior), while personality traits are hypothesized to moderate the relationship between breach and violation.

Figure 1. Research model

### **3. Method**

#### **3.1 Sample**

The study was conducted in the Netherlands and used 3 data sources: full-time or part-time employees in the Netherlands, their supervisors and one of their friends. The questions related to psychological contract breach, psychological contract violation and turnover intentions were answered by the respondent, the questions regarding counterproductive behavior were answered by the respondent's supervisor and personality was assessed by obtaining ratings from the respondent's friend.

We consider that the employee is the best source of information when considering psychological contract breach or violation as he is the only person who knows exactly what were his expectations and beliefs regarding his psychological contract. For the turnover intentions we use the employee as a respondent for similar reasons: he is the only one who can tell about his thoughts on leaving the company he works for. In what concerns the measurement of counterproductive behavior we expect that employees will be more reluctant to state the situations were they were acting accordingly, so we consider that their direct supervisor will give more objective responses. Supervisors' ratings were previously used to assess counterproductive behaviors in Bordia et al. (2008) or anticitizenship

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behaviors in Kickul et al. (2001). We also ask one of the respondent's friends to fill in the personality survey because employees might distort their personality scores (Rosse, Stecher, Miller and Levin, 1998) and answer the questions the way they think that they should be answered (Mahar, Cologne and Duck, 1995).

The respondents were approached through a press release and invitation which were available to them through different websites like: ...

The total number of questionnaires spread among the employees was ... from these, only a number ... participants responded. .... In the beginning the employees were sent an email with the link for completing the survey and after 1 week they also received a reminder. The supervisors and friends were approached through the employee, who received a separate link to forward to its supervisor and friend so that they could participate at the survey.

X% of employees were male, X% were female, Y% completed their university education, Y% their secondary education program... The average age of respondents was from ... to ..., X% of them were working X hours a week, Y% of them were working Y hours a week... X% of employees reported an organizational tenure of X%, Y% of employees reported an organizational tenure of Y years...

Y% of the supervisors were male and Y% were female, Y% completed their university education, Y% their secondary education program... The age of ranged from supervisors was from ... to ..., X% of them were working X hours a week, Y% of them were working Y hours a week... The average  
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organizational tenure of supervisors was T%. The frequency of contact between the supervisor and employee was for X% daily, for Y% weekly...

Z% of the friends were male, Z% were female. Their age range was from X to Y years, X completed their university education, Y% their secondary education program....

### **3. 2 Measurement of variables**

#### Control variables

The results of this study were controlled for the effects of: gender, age and organizational tenure. Gender was controlled for because employees might be evaluated differently according to gender (Turnley, Bolino, Lester and Bloodgood, 2003). Age was controlled for because age could affect work behavior or could also influence the kind of job people choose and finally, organizational tenure was necessary as a control variable because the length of employment might be related to the number of psychological contracts breaches an employee might experience (Turnley at al., 2003).

#### Psychological contract breach

The scale of Robinson and Morrison (2000) was used to assess psychological contract breach (Cronbach's  $\hat{\alpha} = .92$ ). The scale consisted of five items that assessed the employees' perception of psychological contract breach. An example item is: " I feel that my employer has come through in fulfilling the promises made to me when I was hired". Thr