

# PSYCHOLOGICAL CONTRACT VIOLATION AND ORGANIZATIONAL CITIZENSHIP BEHAVIOR

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*A psychological contract is an implicit understanding between a group of employees and their employer that arose as a result of a particular leadership style. Psychological contract violation (PCV) is said to occur when there is a perceived breach of promise that leads to an emotional and affective response. The literature on PCV posits a number of antecedents and outcomes of PCV. This study seeks to develop a model of PCV by linking it with justice and organizational citizenship behavior (OCB). It is argued that the antecedents of PCV lead to a sense of injustice. These will then create the emotional response that is indicative of PCV. It is also argued that an outcome of this PCV experience is reduced OCB and the emergence of a new outlook towards employment relationship. Data was collected from a Malaysian company that initiated a voluntary separation scheme as part of an effort to downsize its work force. The finding of this study provides partial support for the model.*

**Keywords:** emotional response; new psychological contract; organizational citizenship behavior; procedural justice; psychological contract violation

## Introduction

This study sought to examine the antecedents and outcomes of psychological contract violation (PCV) during a voluntary separation exercise in a Malaysian organization. Specifically, it sought to examine the role of justice in creating a perception of PCV and the extent the PCV experienced undermine the willingness of those affected to develop organizational citizenship behavior in post-separation employment. Leana, Feldman and Tan (1998) observe that most studies on employment termination tend to focus on the impact on survivors of layoff. Little has been done to study the impact on those who left the organization. As a result, our understanding of the effects of employment termination on those who left is still limited. This study was undertaken to assess the impact of employment termination resulting from the voluntary separation on those who left the organization. It is hoped that this will make a contribution to our understanding of the impact on those who leave the organization.

Many organizations today face a high level of uncertainty. This is said to have forced organizations to constantly undergo change (Hiltrop 1996). Some find it necessary to reduce cost and attain dramatic productivity improvements to ensure their survival. Downsizing of the work force is one of frequently used methods to reduce cost (Doherty et al. 1996; Grunberg and Greenberg 2000). According to one

estimate, American companies cut nearly 2 million jobs in 2001 (Roth 2002). The experience of having employment terminated is said to have broken the psychological contract between employees and employers (Roehling 1997; Pate and Malone 2000).

A study in the UK shows that workers are beginning to recognize that job security is now difficult to find (Smithson and Lewis 2000). Employment is said to be in a state of flux (Sparrow 2000). The traditional employment contract that provided job for life is now a thing of the past. This transformation in the work place has altered "the rules of the game" in employment. The frequent incidences of downsizing have produced a range of negative attitudinal and behavioral outcomes. The sense of reciprocal obligation expected in the traditional employment relationship is replaced by a more fragile and contingent relationship (Grunberg and Greenberg 2000).

Morrison and Robinson (1997) argue that the uncertainties brought about by work force reduction is reshaping the psychological contract in the work place by making it more difficult to define what employees and organizations owe each other. The uncertainties are also making it more difficult for both sides to fulfil all obligations and expectations. Organizations are not able to ensure job security and employees are less willing to give undivided commitment and loyalty.

Malaysia has not been spared by the increasingly demanding competi-

tive environment. Organizations in Malaysia have also resorted to various forms of work force reduction initiatives to cut cost. More are expected to lose their jobs given the state of the economy. Given the findings in American and British studies showing the impact of employment termination on psychological contract, it is necessary to examine how the experience of being subjected to employment termination affects subsequent work behavior and attitude of the affected Malaysian workers.

### **Impact of Employment Termination**

Pate and Malone's (2000) study on the impact of layoff shows a shift in workers' attitude towards their former employer. The positive attitude held before the lay off was replaced with bitterness, anger and even hostility. As a result of the experience of being laid off, the workers also developed a negative attitude towards their subsequent employer. The workers developed a distrust of employers in general and felt a low sense of loyalty towards employers.

Sparrow's (2000) review of the literature also found that the experience of losing their job causes workers to see future employment to be less secure. As a result there is a tendency for them to reshape their expectation in future employment relationships. They are also more likely to reduce commitment and experience less job satisfaction. Given the uncertainty in

the employment relationship, workers also tend to prefer short-term instead of long-term rewards. They tend to also see themselves as primarily responsible for planning their career. They develop a higher willingness to switch employers in order to advance themselves. They also see their employment as a relatively short-term transactional contract rather than a long-term relational contract. This sense of job insecurity also leads to reduced trust in the employer and reluctant compliance with employer's demand (Smithson and Lewis 2000).

According to Pate and Malone (2000), the reaction generated from the layoff experience is the result of a psychological contract violation (PCV) in the employment relationship. PCV takes place when an employee perceives a breach whereby the employer is seen as having failed to fulfil its promises or obligations. In situations where the employee expects job security, the experience of being laid off is one such breach. This breach leads to an emotional and affective response (Morrison and Robinson 1997). This includes the feeling of being betrayed, distress, resentment and anger.

### **Psychological Contract**

#### ***Defining Psychological Contract***

The psychological contract construct has evolved considerably over time. Roehling (1997) credits Barnard with having alluded to the concept in 1938 when he discussed an exchange

perspective of employment. According to this perspective, employees receive inducements from the organization in return for their contributions. They will continue to participate in the organization as long as they perceive the inducement as equal or greater than the contribution they make. However, Roehling (1997) states that it was Argyris who introduced the term psychological work contract. He defines psychological work contract as an implicit understanding between a group of employees and their foreman that arose as a result of a particular leadership style.

Another major contributor to the theory on psychological contract is Schein (Morrison and Robinson 1997; Roehling 1997; Pate and Malone 2000). He defines psychological contract as a variety of expectations the individual has of the organization and the variety of expectations the organization has of the individual. The employees' expectation is formed as a result of experience, values, norms and the unfolding interaction with the organization.

Another author that is credited as having made a major contribution to recent discussions on psychological contract is Rousseau (Roehling 1997). She argues that psychological contract is a subjective belief at the individual level and that the parties to the contract, i.e. the employee and employer, need not agree on its content. The individual's belief is more of a perceived promise. This perceived promise covers aspects including expectations of future return and obligation, as well as expected contribution. Morrison

and Robinson's (1997) discussion on psychological contract share this view. They argue that psychological contract is perceptual and idiosyncratic to each individual. The promise perceived in the contract is the result of the individual's interpretation of explicit and implicit information and cues conveyed by the organization. The contract is something that is above the formal contract of employment (Smithson and Lewis 2000).

### ***Psychological Contract Focus***

There is considerable debate on the focus of a psychological contract. Morrison and Robinson (1997) propose that a psychological contract is between the employee and the organization, rather than a specific agent of the organization. This view treats the organization as an anthropomorphic identity in the eyes of the employee. While organizational agents may have their own view of the contract, they are not a party to the contract. Thus, the psychological contract is seen as being held by the individual alone.

Marks (2001) however, argue that unlike an employment contract, a psychological contract is not enacted through a formal and explicit contracting process. An organization is a collective and cannot negotiate or communicate. Instead, it does so through an agent. Thus, there is some ambiguity on whether it is the organization or an agent of the organization who holds the contract with the employee. Furthermore, an employee's perception of the promises and obligations made by

the organization is based on the messages and cues sent by an employee's line managers and the HR manager.

Marks's view is important in helping us understand the attribution that employees make in instances of a breach of promise causing the PCV. Understanding employees' attribution of fault in a breach of promise helps our understanding of violation. For instance, when a breach is attributed to an agent of the organization that an employee had come to trust a lot, the sense of violation is likely to be high.

### ***Psychological Contract Violation***

As mentioned earlier, PCV is said to take place when there is a perceived breach of promise that leads to an emotional and affective response. Morrison and Robinson (1997) propose that perception of violation arise from the emotional response to a breach of promise. It involves an interpretation process that is cognitive in nature. Two conditions are said to give rise to breach of promise. *The first* is renegeing, this happens when an agent or agents of the organization knowingly breaks a promise to an employee. The renegeing can be due to the inability of the organization to fulfil its promise or to its unwillingness to do so. An organization is said to be unable to fulfill a promise when extenuating circumstances constrain the organization's ability to fulfil its promise. Unwillingness is a situation when the agent or agents who made the promise has no intention of fulfilling it (Morrison and Robinson 1997). This indicates a de-

liberate action of the agent in not fulfilling the promise.

*The second* condition leading towards PCV is incongruence. This is said to happen when the employee and the organization's agent or agents have a different understanding of a promise. This can arise when the parties involved have divergent schemata (Morrison and Robinson 1997). This divergent schemata exists because individuals develop cognitive frameworks that is the result of different experiences. Thus, the same promise may mean different things to different individuals. Incongruence will be high when the employee and the organization's agent have different schemata in interpreting a promise.

Another factor that affects incongruence is the complex and ambiguous nature of obligations. Some promises made are implicit, inferred through practice or is made in a casual manner (Morrison and Robinson 1997). Thus, there is a considerable ambiguity about the promise. Even when the individual and the agent hold a similar perception of the promise, subsequent experiences can reshape their perception and expectation. This reshaping of the meaning of the promises made becomes more complex as both parties are exposed to and make sense of a large amount of information in interpreting the promise.

PCV will occur only when the breach leads to an emotional response. The cognitive processes that individuals go through in assessing the perceived breach may and may not lead to

an emotional response. Factors such as the perceived cost of the unmet promise, salience of the breach, a person's sense of equity and the uncertainty experienced by the employee affect the extent the breach will lead to an emotional response (Morrison and Robinson 1997). Thus, a breach does not necessarily lead to PCV if it does not result in a negative emotional and affective response.

**Outcomes of PCV**

The discussion earlier described the various outcomes of PCV. Spector and Fox (2002) argue that emotion serves an adaptive function and acts to formulate intention to engage in certain

behaviors at a subsequent time. They argue that a positive emotional experience can lead to increase willingness to engage in organizational citizenship behavior (OCB). OCB consists of work related behaviors that are discretionary and not related to the formal organizational reward system (Moorman 1991). It involves the delivery of extra-role behaviors that goes above and beyond the formal roles prescribed for an employee (Allen and Rush 1998). Conversely, a negative emotional experience leads to an increase in counter productive work behavior. Pate and Malone (2000) argue that PCV lead to negative emotional response during employment termination. This is pri-

Table 1. **Hiltrop's (1996) Characterization of Old and New Psychological Contract**

Old Contract	New Contract
Long-term	Immediate results
Security	Flexibility
Predictability	Uncertainty
Equality	Individuality
Certainty	High risk
Tradition	Constant change
Fairness	Personal gain
Stability	Employability
Interdependence	Self-reliance
Mutual trust	Opportunism
Company loyalty	Professional loyalty
Doing well	Doing better
Shared responsibility	Personal accountability
Title and rank	Making a difference
Pay for status	Pay for results
Tolerance	Impatience
Mutual respect	Fear

marily because job loss is a traumatic experience and has a negative impact on a person's sense of psychological and social well-being (Bennet et al. 1995). Individuals who experience PCV in an employment termination experience tend to become disillusioned, become distrustful of employers in general and develop a negative attitude (Pate and Malone 2000). This in turn leads to diminishing willingness to engage in OCB.

Hiltrop (1996) proposes that changes in the work place has led to the emergence of a new psychological contract in the employment relationship. Whereas the old contract is characterized by stability, permanence, predictability, fairness, tradition and mutual respect, the new contract is described as primarily based on short-term relationship, emphasizes flexibility, self-reliance and achieving immediate results. Table 1 describes Hiltrop's description of the difference between the old and new contract.

As mentioned earlier, the emotional responses generated by PCV are typically negative and affects employee's attitude and behavior towards employers. These findings seem to suggest that employees who have undergone a PCV experience may exhibit withdrawal behavior. Chen et al. (1998) argue that the behaviors associated with withdrawal can be better examined using the organizational citizenship behavior (OCB) construct. They explain that OCB is a multifaceted concept that encompasses many forms of work behavior. The level of OCB a

person is willing to exhibit is indicative of his or her willingness to be involved in different aspects of the organization. It is also an indicator of the distance an employee would like to keep with his or her organization.

We propose that one outcome of the PCV experienced during employment termination is a reduction in the OCB a worker is willing to deliver in his or her subsequent employment. Pate and Malone's (2000) study of post employment termination behavior shows that individuals who lost their job tend to develop enduring negative attitudes. This attitude is held towards even subsequent employers. In fact they found that the view that employers can not be trusted was generalized to all employers. They also found that the affected employees replace commitment to the organization with commitment to their job in their subsequent employment. These individuals develop a different perception of the psychological contract they expect with their subsequent employer. The attitude that they have towards the employment relationship with their new employer is akin to what was described as the new psychological contract described earlier.

### **Justice and Psychological Contract Violation**

There have been many studies on OCB in the past (Moorman 1991; Niehoff and Moorman 1993; Aquino et al. 1997; Allen and Rush 1998; Chen et al. 1998). Some of these stud-

ies posited OCB as an independent variable and others treated it as a dependent variable or outcome. Moorman (1991) examined the relationship between organizational justice and OCB. He found support for the contention that organizational justice is related to OCB. Pate and Malone's (2000) discussion on PCV implies that violation is the converse of organizational justice.

Morrison and Robinson's (1997) discussion on PCV point out the role of justice in the perception of violation. They explain that an employee's assessment of violation is affected by his or her perception of how fairly he or she was treated. Specifically, they argue that the employees' perception will be affected by the interactional justice they receive. Interactional justice refers to the interpersonal treatment a person experienced in the process of receiving an outcome. In many circumstances a breach of contract results from events and actions that have little to do with formal organizational procedures. The employees may not be aware of the procedures leading to the PCV. As a result, their perception of justice will be affected mainly by the personal treatment (i.e. interactional justice) they receive from agents of the organization.

Others have argued about the role of procedural justice and its effect on employment attitudes. Studies on OCB had mainly concentrated on the issue of procedural justice. It can be argued that interactional justice is more per-

sonal and specific to individuals. It is a reflection of the way he or she is treated by his or her immediate superior. This is consistent with Tepper's (2000) discussion on justice where he argues that interactional justice is the product of a treatment a person experienced from the organization's agent. According to Masterson et al. (2000) it affects the person's attitude and judgement towards the agent or person responsible for an action. Within the context of a leader-follower relationship, interactional justice affects the follower's commitment to the leader.

On the other hand, procedural justice affects judgement of the organization and the level of commitment the person is willing to give to the organization. A study where the phenomenon of interest is an organizational level event that is triggered by organizational level decision, e.g. employment termination, procedural justice would be more salient. Procedural justice would also be the more relevant aspects of justice to study when the outcome examined is related to employee behavior or attitudes towards the organization.

It is important to differentiate here between contract breach and justice. A breach is an event creating a perception in the employee that the organization is not fulfilling its promise. Justice is the perception that the employee develops as a result of the experience subsequent to the breach. Thus, an employee may perceive a breach and yet not experience injustice if he or she



is treated in a fair, honest and respectful manner.

## Research Question

Past studies have found a relationship between organizational justice and OCB (Moorman 1991; Niehoff and Moorman 1993). Evidence also shows that the experience of losing one's job lead to a sense of being violated and produced negative emotional and attitudinal responses (Pate and Malone 2000). We have yet to see any study that attempted to examine whether these responses specifically lead to changes in an employee's OCB. On the basis of the preceding discussion we contend that justice and contract breach, in the form of employment termination, lead to a sense of being violated. As a result of this violation, a person experiences negative emotional responses such as reduced trust, heightened suspicion and pessimism. This reduces a person's sense of organizational loyalty and his or her willingness to engage in OCB in subsequent employment (Andersson and Bateman 1997; Bennet et al. 1995; Pate and Malone 2000). As mentioned earlier, evidence shows that employment termination is a traumatic experience that leaves an enduring psychological scar. This violation also has the effect of changing the individual's expectation and attitude towards subsequent employment. He develops a different set of expectations about the employment relationship, recognizing well that job security is no longer assured.

For the purpose of this study we treat emotional response as the indicator of PCV. This is consistent with the earlier discussion describing PCV as taking place only when there is a negative emotional response to an act of perceived breach in the employment relationship.

It is generally accepted that OCB is important in facilitating the attainment of organizational goals and enhanced performance (Allen and Rush 1998). Yet, past studies on the effect of PCV fell short of examining its impact on OCB. This study attempts to link the PCV concept with OCB. An examination of the relationship between PCV and OCB will enable us to understand how far reaching the impact of violation is on work behavior. We will also attempt to link the issue of justice to PCV and OCB.

This study will therefore examine the antecedents and outcomes of PCV. It will, among other things, examine the willingness of those affected by PCV to engage in OCB in their subsequent place of employment. It will also determine whether the PCV experience leads to the formation of an attitude indicative of a new psychological contract as described by Hiltrop. We argue that perceived organizational *unwillingness, inability and incongruence* has a negative relationship on *perception of justice* among employees involved in the employment termination exercise. We also posit that perception of organizational *unwillingness, inability and incongruence*

antecedes an *emotional response* in a PCV event. The lack of *procedural justice* is also expected to lead to *emotional response*. These relationships can be summarized by the following hypotheses (H):

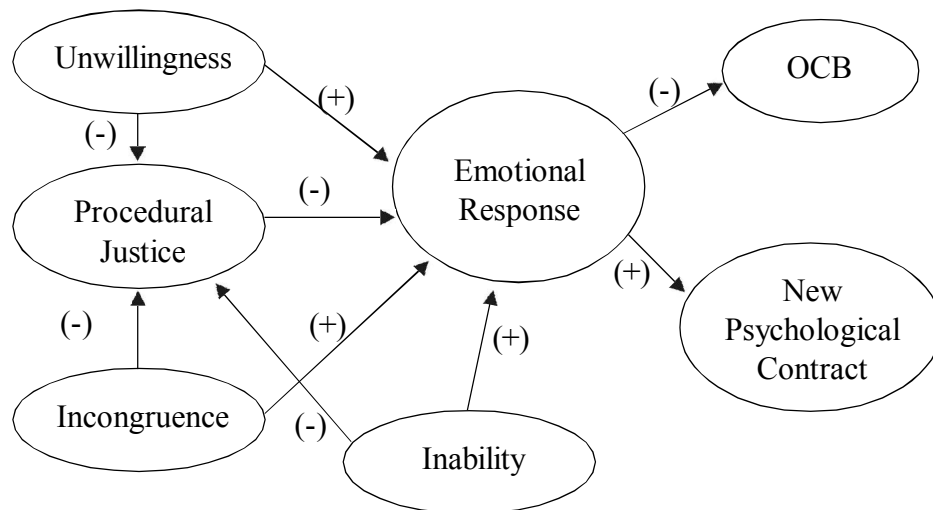
- H<sub>1</sub>: Perception of organizational unwillingness, inability and incongruence in an employment termination process is positively related to negative emotional responses associated with perceived psychological contract violation.*
- H<sub>2</sub>: Perceived lack of procedural justice in an employment termination process is positively related to the emotional response associated with psychological contract violation.*
- H<sub>3</sub>: Negative emotional response is negatively related to the willingness to engage in OCB in subse-*

*quent employment and a positive relationship with an attitude towards employment that resembles the new psychological contract.*

The relationships proposed above can be summarized as culminating in a model graphically described in Figure 1.

The examination of PCV in this study will be in the context of voluntary separation. Past studies on employment termination has been on layoffs. Voluntary separation is a bit different from layoffs in the sense that employees are given the option whether to leave or remain with the organization. Normally, those who opt for voluntary separation are given a generous separation package, usually above what is normally mandated by law in layoffs.

Figure 1. Hypothesized Relationship between PCV, Procedural Justice, OCB and New Psychological Contract



## Methodology

### Sample

The sample for this study consisted of former employees who had recently undergone voluntary separation. They were employees of a major Malaysian telecommunication company. The company had experienced difficulties and had agreed to downsize its work force as part of the agreement between management and the company's investors and bankers. Employees were given a voluntary separation option that offered a generous severance package. The benefit is higher than the retrenchment benefit the employees would be entitled to under Malaysian law had the separation be mandatory. A total of 1,850 employees opted to participate in this voluntary separation exercise. The company's HR department provided us with their mailing address. Questionnaires were sent to all 1,850 former employees within one week of the separation scheme taking effect. A total of 240 responses were received, giving a response rate of 12.9 percent.

### Instrument

A questionnaire instrument was developed to measure PCV, procedural justice, OCB and future attitude towards employment. The section measuring PCV consisted of two parts measuring perception of contract breach and emotional response to the breach. Seventeen items were used to measure the breach. These items are

based on the definition and description of renegeing and incongruence in Morrison and Robinson's (1997) work. Respondents were asked to indicate to what extent the 17 items reflects their view on the employment termination experience. The section on emotional response uses 12 items. These items are verbs describing emotional states found in the literature discussing the emotional response to PCV. Respondents were asked how strong they experienced these emotions after undergoing voluntary separation. The score from these 12 items were aggregated to create the variable *emotional response*.

Procedural justice was measured using 4 items. OCB was measured using 30 items based on Organ's definition that uses five dimensions of OCB (Allison et al. 2001). These dimensions are altruism, civic virtue, conscientiousness, courtesy and sportsmanship. These items were adapted from Moorman's (1991) work. Respondents were asked to indicate whether they expect to engage in more or less of these behaviors in their subsequent employment after going through the experience of losing their job.

Future attitude towards employment was measured using 16 items. These items are based on the discussion in the literature on the transformation in attitudes towards employment (Hiltrop 1996; Pate and Malone 2000; Smithson and Lewis 2000; Sparrow 2000). Respondents were asked to indicate to what extent the experience of

losing their job has lead them to develop these attitudes. All of the dimensions developed were measured using 5 points Likert scales. A description of the items used is presented in the Appendix.

**Data Analysis**

The data was initially analyzed to ascertain the form of employment relationship employees expect to develop with their subsequent employer. This

**Table 2. Factor Loading of Future Employment Attitude**

Factors	Loading	Pct of Variance	Cronbach's Alpha
<i>Newsyc</i> (Eigenvalue = 3.371)		21.07	.675
Your attachment is more to your occupation or profession than an employer	.681		
It is no longer possible to expect lifetime employment	.598		
You expect it to be necessary to change employer to advance your career	.580		
Insecurity is now a permanent feature of employment.	.575		
While you will do what is expected to serve your employer, you also realize that it is necessary to look after your own interest	.520		
Employers should not expect a high degree of loyalty from employees.	.483		
You prefer to avoid rewards or incentives that are paid in a distant future.	.469		
You see your relationship with your employer as one of delivering to it a defined set of services or activities	.437		
<i>Trdnpsyc</i> (Eigenvalue = 2.028)		12.67	.657
It is important to make yourself more employable	.708		
It is more necessary to broaden your skill and experience	.639		
Seeking a job that offers security is more important	.637		
You'd willing to trade off advancement opportunities in return for a more secure job	.582		
You want to be more involved in decisions that affect your future	.580		
Giving outstanding performance is going to be more necessary to ensure job security	.453		
You will have to take full responsibility to plan for your career advancement.	.432		

KMO = 0.681; Bartlett's test of sphericity approximate chi-square = 810.41, p = 0.000

was done through factor analysis. The 16 items used to measure future employment relationship was factor analyzed. The result, using varimax rotation, resulted in five factors with eigenvalues of more than 1. However, examination of the scree plot indicates that only 2 factors should be accepted. The items loading in factor 1 indicates an employment relationship resembling the new psychological contract

and is described in Table 1. This factor is labeled as *newpsyc*. The second factor indicates a more traditional outlook as is labeled as *trdtnlpsyc* (refer to Table 2).

The items measuring *procedural justice*, *OCB*, *emotional response*, *inability*, *unwillingness* and *incongruence* were aggregated into these respective variables and their mean scores were calculated. These data

Table 3a. Descriptive Statistics and Cronbach Alpha for Variables

Variables	Mean	Std Deviation	Cronbach's Alpha
Unwillingness*	3.67	.98	.67
Incongruence	3.54	.92	.83
Procedural justice	2.74	1.12	.83
Emotional response	35.61	11.88	.93
OCB	3.52	.49	.93

\*After exclusion of two items

Table 3b. Correlation Coefficient (r) between Variables

Variables	Incongruence	Unwilling	Procedural Justice	Emotional Response	OCB
Unwilling	.555 (.000)				
Procedural justice	-.412 (.000)	-.466 (.000)			
Emotional response	.579 (.000)	.407 (.000)	-.463 (0.000)		
OCB	.161 (.018)	.257 (.000)	-.143 (.036)	.151 (.026)	
<i>Newpsyc</i>	.138 (.037)	.233 (.000)	-.113 (.296)	-.021 (.744)	-.046 (.502)

Figure in bracket is statistical significance

along with the *newpsyc* factor was then used to test the hypotheses. The hypothesized model was tested using structural equation modeling analysis with EQS 5.1 (Bentler 1995). The data were analyzed using covariance matrix and maximum likelihood estimation procedures. Overall model fit was assessed using the chi-square test, comparative fit index (CFI), goodness-of-fit index (GFI), and normed fit index (NFI). According to Bentler (1995), the CFI reflects fit relatively well at all sample sizes and is the recommended index to use. A value of .90 or greater indicates a psychometrically acceptable fit to the data. The fit of the internal structure of the model was considered satisfactory if it had significant parameter estimates in the predicted direction. The significance of each parameter estimate was determined by the ratio of the unstandardized estimate to its standard error (a ratio analogous to the z test).

## Results

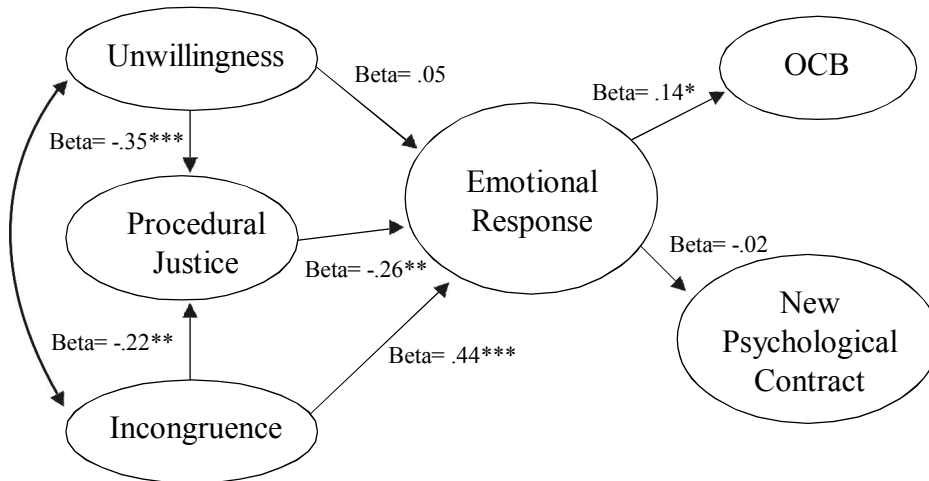
Except for the variables *unwillingness* and *newpsyc*, the scales had reliabilities at or above the .70 threshold (Nunnally 1978). The scale for *unwillingness* initially had Cronbach's Alpha = .435 which is unacceptable. An examination of the value of Cronbach's Alpha when items are deleted shows that when two of four items (items: "employees had little influence in the decision by management to proceed with introducing VSS" and "management expects the intro-

duction of VSS would not cause embarrassment to the company") measuring *unwillingness* is excluded the alpha value improves to .67. Thus, these two items were excluded from the items measuring *unwillingness*. Alpha for *newpsyc* is also .67. Even though a bit low, these values are close to .70 and considered as acceptable (Sekaran 1992: 287). Table 3 shows the means, standard deviations, alpha reliabilities, and correlations for the measured variables of the study.

The initial test of the model depicted in Figure 1 did not yield a model with an acceptable goodness of fit. However, when the variable *inability* was excluded the model attained an acceptable goodness of fit. This revised model indicated a good fit (chi-square = 30.78, 7 df,  $p = .001$ ; GFI = .92; CFI = .92; NFI = .90) with no relevant parameter addition recommended (as indicated by the Lagrange multiplier test). Figure 2 displays a summary of the results for the test of the revised model. It shows partial support for the model.

The path from *unwilling* to *emotional response* is not statistically significant (Beta = .05;  $t = .71$ ). However, the finding shows the path from *incongruence* to *emotional response* is statistically significant and in the direction hypothesized (Beta = .44;  $t = 7.05$ ;  $p = .000$ ). The path from *procedural justice* to *emotional response* is statistically significant and in the direction hypothesized (Beta = -.26;  $t = -4.47$ ;  $p = .000$ ).

Figure 2. Outcome of Structured Equation Modeling of Relationship between PCV, Procedural Justice, OCB and New Psychological Contract



\* significant at .05 level; \*\* significant at .01 level; \*\*\* significant at .000 level

Chi-square (7 df) = 30.78 ( $p < .001$ )

Comparative fit index = 0.92

Normed fit index = 0.90

Goodness of fit index = 0.96

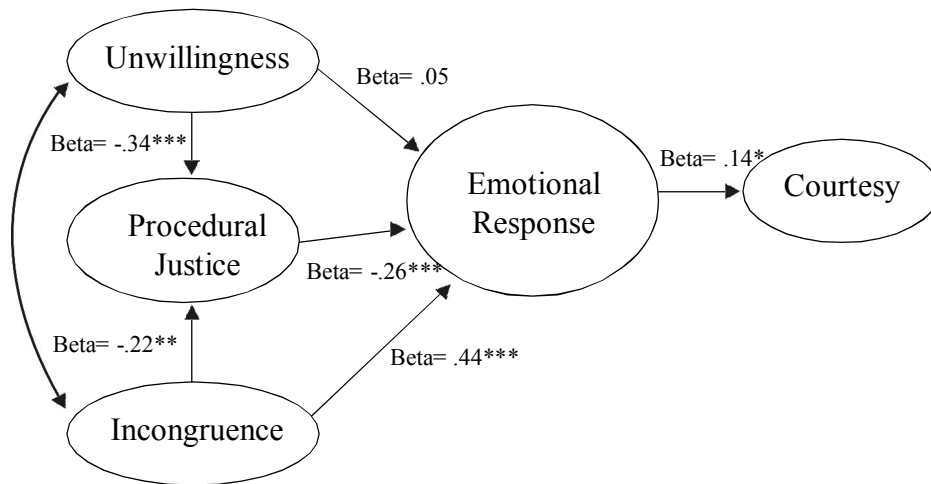
The path from both *unwillingness* and *incongruence* to *procedural justice* are significant. The path from *unwillingness* to *procedural justice* is in the direction we argued (Beta = -0.35;  $t = -.514$ ;  $p = .000$ ). The same was observed in the path from *incongruence* to *procedural justice* (Beta = -.22;  $t = -3.21$ ;  $p = .01$ ).

The path from *emotional response* to OCB is significant (Beta = .14;  $t = 2.21$ ;  $p = .05$ ). However, the direction of the relationship is the opposite to what is expected. The path from *emotional response* to *newpsyc* is not statistically significant and thus does not

support the model (Beta = -.02;  $t = -.33$ ). The finding on the *emotional response*-OCB relationship is rather surprising. Contrary to the expectation that the experience of psychological contract violation will lead to lower OCB in future employment, the model shows that *emotional response* actually leads to higher OCB.

A closer examination of the data was performed and the mean score for OCB was disaggregated into the mean scores of the five OCB dimensions (courtesy, civic virtue, altruism, sportsmanship and conscientiousness). Examination of the correlation between

Figure 3. Outcome of Structured Equation Modeling of Relationship between PCV, Procedural Justice and Courtesy



\* significant at .05 level; \*\* significant at .01 level; \*\*\* significant at .000 level

Chi-square (3 df) = 8.55 (p = .036)  
 Comparative fit index = 0.92  
 Normed fit index = 0.97  
 Goodness of fit index = 0.99

each of these five dimensions with *emotional response* shows one particular dimension of OCB i.e. *courtesy* ( $r = 0.144$ ,  $p = .02$ ), to be correlated with *emotional response*. Further examination of the items used to measure *courtesy* shows that they all refer to behavior related to treating one's peers in a supportive and courteous manner. The model was then reanalyzed again using *courtesy* in place of OCB. The outcome of this examination produced a model with a better fit (chi-square = 2.88, 3 df,  $p = .04$ ; GFI = .99; CFI = .98; NFI = .97) and with a statistically significant path from *emotional re-*

*sponse to courtesy* (Beta = .14;  $t = 2.23$ ;  $p = .05$ ). This is shown in Figure 3.

The above findings show that the hypothesized relationship between *procedural justice* and *incongruence* on *emotional response* is supported. Likewise the hypothesized relationship between *incongruence* and *unwillingness* on *procedural justice* is also supported. The findings also show a relationship between *emotional response* and *organizational citizenship behavior* but it is in the opposite direction. There was no relationship between *emotional response* and *newpsyc*.



## Discussion

The findings provide partial support for the hypotheses forwarded in this study. It supports the view that the emotional response associated with psychological contract violation is the product of an incongruence in perception between employees and the employer. Likewise, the sense of injustice regarding the procedures in place during the voluntary separation exercise also contributes towards the *emotional response*. There is no direct relationship between *unwillingness* and *emotional response*. Instead, the findings show that the relationship is mediated by *procedural justice*. This suggests that the *emotional response* to the organization's *unwillingness* to mitigate the need to introduce the VSS is shaped by the perception of the fairness of the procedures used in the exercise.

Contrary to expectation, the PCV experience did not result in employees developing attitudes resembling Hiltrop's description of the new psychological contract. One possible explanation for this is that individuals who develop the expectations resembling the new psychological contract do so based on multiple cues. These cues include their observation of the general condition in the Malaysian labor market that has seen extensive work force downsizing in many organizations since the economic crisis of 1997.

The positive relationship between *emotional response* and OCB also

came as a surprise. It was hypothesized that the perception of PCV will lead to a decrease in future willingness to engage in OCB. However, closer examination shows that the relationship is more with the *courtesy* dimension of OCB. *Courtesy* has more to do with a person's relationship with his or her peers than with the organization. Leana et al. (1998) argue that one of the ways individuals cope with job loss is by seeking social support. This explains why this study found a positive relationship between the emotional response associated with PCV and *courtesy*. Individuals who experienced employment termination cope by reducing the stressful effect of the employment termination experience by seeking to develop more social support with their peers.

Marks's (2001) review of the literature on commitment shows that there is a recognition that organizational commitment is really an aggregation of multiple commitments to various groups within the organization. She also points out that psychological contract mediates the relationship between organizational factors and commitment. Allen and Rush (1998) and Hui and Segó (1998) argue that OCB is an indicator of a person's commitment. The finding from this study suggests that the PCV experience, in this case the voluntary separation exercise, has led to an adjustment in the focus of the future commitment of those involved. The PCV experience caused them to shift their post-separation loyalty and commitment more towards their peers rather

than the organization. This is reflected in the positive relationship between PCV and *courtesy*.

The absence of a relationship between *emotional response* and *newpsyc* may be because views of employment akin to the *newpsyc* could have been held by the respondents even prior to the voluntary separation scheme. The PCV event was not a determinant of *newpsyc*. The lack of a relationship between *unwillingness* and *emotional response* seem to suggest that employees are more affected by the treatment they experienced than their perception of the motive for the voluntary separation exercise. What this means is that regardless of whatever motive they attribute as being the reason for the termination of their employment, it is the justice that they experience during the process that shape their reaction towards the organization.

### **Limitations and Future Research**

Further studies need to be done to test this model under different conditions. There is the need, among other things, to ascertain whether the outcome of a PCV experience results in a permanent shift in attitude and expectations in the employment relationship. This will help us advance further our understanding of the outcome of PCV.

This study contributes to our understanding of PCV by testing the model proposed by Morrison and

Robinson (1997). It enhances our understanding of the antecedents and outcomes of PCV. However, a number of caveats need to be said about this study. This study examined PCV within the context of an event that was specifically triggered by top management decision i.e. the introduction of voluntary separation. PCV can also occur through the conduct of individual managers and supervisors. There is a possibility that the outcome of such a PCV may be different from what is found in this study. It is therefore necessary to replicate this study using different types of PCV events. Other events that may lead to PCV can include unfair performance appraisal, failure to give expected rewards and unfairness in promotion decisions.

Another issue deserving attention is the cultural specificity of the reaction to PCV. The finding showing PCV leading to *courtesy* may be specific to a collectivist culture. This response may be because individuals in a collectivist culture seek to find a stronger sense of togetherness by fostering a stronger relationship with their peers in subsequent employment. This may be an attempt on their part to seek strength by developing stronger solidarity with their peers in facing possible PCV by management in the future. Hofstede's (1997) study classifies Malaysia as a society that is high in collectivism. A study comparing the PCV outcome across different cultures is needed.

This study did not examine the impact of the voluntary separation on those who chose to remain in the organization. It will be interesting to see whether those who remained also consider the experience a violation of their psychological contract. Future studies should also examine the longitudinal impact of the event on those who left as well as those who remain in the organization. This will help us assess whether the change in attitude detected is merely a temporary and reversible outcome with a limited practical consequence in the work place.

One issue deserving attention is whether the effect of PCV as seen in this study is enduring. At the time this study was conducted, the respondents had not obtained new employment and the assessment of their expectation of future employment relationship is naturally a hypothetical one. It will be necessary to examine whether the attitude that have developed endures after they have obtained employment again. Does the ability to gain employment serve as an antidote to the PCV experience?

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## Conclusion

Even though the findings provide partial support regarding the outcome of PCV resulting from voluntary separation, the evidence does show the emergence of a certain attitude towards employment. While the PCV experience did not lead to reduced OCB or the emergence of the new psychological contract, it does indicate the use of a coping mechanism that is reshaping the form and focus of employment relationship. It shows that these individuals intend to focus more of their effort in developing a sense of loyalty and camaraderie with their peers.

This study also highlights the need to treat OCB as a multidimensional construct. Some aspects of OCB are directed towards the organization and some are directed towards the peers. The evidence shows that a negative experience in an organization can undermine organizationally focused OCB but can lead to an increase in peer focused OCB. This dual nature of OCB requires more attention in the future.

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## Appendix

### *a. Items used to measure PCV:*

1. External events beyond management control forced the introduction of the VSS.
2. Management have tried their best to save situation but was unable to do so.
3. The decline in company performance makes VSS inevitable.
4. The company would have fulfilled expectation of job security if the business condition it faced is not bad.
5. Management was actually not committed to providing job security.
6. In spite of fulfilling your part of employment relationship, concern for reducing cost made management resort to not honouring its obligation in providing job security.
7. Employees had little influence in the decision by management to proceed with introducing VSS.
8. Management expects the introduction of VSS would not cause embarrassment to the company.
9. Compared to when you first started working at the company, you now realize that the organization interprets differently the obligations it has towards you.
10. There was a difference between your expectation and the company's commitment to providing job security.
11. It is only when the VSS was introduced that you come to realize that the company never committed itself to providing job security.
12. Your experience in being given VSS is inconsistent with what was communicated regarding your employment when you first started working.
13. You had difficulty in understanding why the company had to reduce the work force.
14. You had to search your own info in making sense of the work force reduction exercise.
15. The extent of job security you can expect from the company was clearly communicated when you were recruited.
16. The close interaction you had with your leader enabled you to understand better the situation faced.
17. Your immediate supervisor/manager share same fate as you in the work force reduction exercise.
18. You were considering leaving the company even before the VSS was introduced.
19. You already had a job offer when you opted for the VSS.
20. You did not expect to have difficulty finding a job when you opted to apply for the VSS.
21. You consider the company's decision to introduce VSS as a sign that it will later on resort to retrenchment.
22. You were dissatisfied with your job at the company even before the VSS was introduced.
23. You consider it wiser to opt for VSS now rather than wait for things to get worse later.

24. The company's top management is responsible for the conditions leading to the introduction of the VSS.
25. Your immediate supervisor/manager is responsible for the conditions leading to the introduction of the VSS.
26. The HR department is also responsible for the conditions leading to the introduction of the VSS.

***b. Items used to measure Emotional Response to VSS:***

1. Lose trust
2. Betrayed
3. Unfair
4. Distressed
5. Unjust
6. Angry
7. Helpless
8. Reduced motivation
9. Shock
10. Resentful
11. Disappointed
12. Frustrated

***c. Items used to measure OCB:***

1. Willingness to help others.
2. Readiness to help new workers getting used to the new work environment/place.
3. Willingness to fill in for others who are absent from work.
4. Taking personal interest in other employees.
5. Willingness to train others to perform their job better.
6. Willingness to participate in any volunteer activities organized by the employer.
7. Willingness to attend important meetings that are not compulsory.
8. Readiness to volunteer organize the employer's non-job related functions.
9. Willingness to attend any seminar or training session that are not compulsory.
10. Readiness to voluntarily represent the employer in order to serve the interest of the employer.
11. Readiness to work more than the number of hours expected from me.
12. Take breaks whenever possible.
13. Perform the highest quality of work even when something less is acceptable.
14. Try to complete my assignments before deadline.
15. Make the effort to give suggestions even when not asked for.
16. Will avoid using office facilities/equipment for personal purposes.
17. Make sure the workplace is neat, clean and orderly.

18. Willingness to do more to protect the company's property.
19. Avoid making decisions that can cause surprise or inconvenience to others.
20. Always let others take the credit for ideas they introduced.
21. Supportive of colleagues who are experiencing difficulties.
22. Make it a point to inform fellow workers of any obstacles that can delay the completion of a project they are working on.
23. Make it a point to avoid doing things that can create difficulties for others performing their jobs.
24. Willingness to put aside my personal interest for the sake of work group.
25. Avoid initiating something unless told to do so.
26. Look for faults with what the organization is doing.
27. Always focus on the positive side of what happen.
28. Willingness to tolerate inconveniences for the sake of the well being of the company.
29. Ability to accept when my ideas are criticized or rejected.
30. Avoid finding fault of other employees.

***d. Items used to measure justice:***

1. The VSS benefit given was more than can be expected from the legally required retrenchment benefit had the company opted to retrench you.
2. The VSS benefit given was fair given the length of your service with the company.
3. The VSS benefit given was fair given your job performance at the company.
4. Your supervisor/manager treated you in a respectful manner during the VSS exercise.
5. Your supervisor/manager was honest in communicating with you during the VSS exercise.
6. Your supervisor/manager provided timely feedback on queries regarding the VSS.
7. Your supervisor/manager was concerned about your welfare and rights during the implementation of the VSS.
8. The procedure used in approving those who opted for the VSS was consistent.
9. The procedure used in approving those who opted for the VSS was fair.
10. The procedure used in calculating the VSS benefit given was consistent.
11. The procedure used in calculating the VSS benefit given was fair.

***e. Items measuring future attitude towards employment:***

1. You will have to take full responsibility to plan for your career advancement.
2. It is important to make yourself more employable.
3. You'd willing to trade off advancement opportunities in return for a more secure job.
4. Employers should not expect a high degree of loyalty from employees.
5. It is more necessary to broaden your skill and experience.
6. You do not expect to be employed in any organization for more than a few years.
7. It is no longer possible to expect lifetime employment.



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8. Insecurity is now a permanent feature of employment.
9. While you will do what is expected to serve your employer, you also realize that it is necessary to look after your own interest.
10. Seeking a job that offers security is more important.
11. You want to be more involved in decisions that affect your future.
12. You prefer to avoid rewards or incentives that are paid in a distant future.
13. Your attachment is more to your occupation or profession than an employer.
14. You expect it to be necessary to change employer to advance your career.
15. You see your relationship with your employer as one of delivering to it a defined set of services or activates.
16. Giving outstanding performance is going to be more necessary to ensure job security.