

## Psychological Contracts, Organizational and Job Commitment

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Increased use of time-limited contracts as the mainstay of employer-employee relations has implications for the *psychological* character of the exchange relationship. To investigate this, the current study is framed by Rousseau's (1995) psychological contract model (PCM). The psychological contract pertains to beliefs held by individuals about their contractual terms and conditions. The findings yield evidence for Rousseau's distinction between two types of contractual belief (relational and transactional), as well as the explanatory potential of the PCM over and above the concept of organizational commitment. As predicted, temporary workers were more transactional than relational in their contractual orientation. The findings are discussed with reference to a need to develop a theoretical basis for research on organizational involvement.

Today's business environment is changing. Market forces have bulldozed many large, previously thriving organizations into a radical revision of their employment strategies. A recent survey carried out by the U.K. Institute of Manpower Studies (IMS, 1994) identified the increasing economic need for more flexible employment practices. The IMS survey found that 81% of large U.K.-based companies employ temporary workers, 74% use part-timers, and a further 70% contract out noncore (i.e., peripheral) operations. None of the companies (reflecting the opinions of chairmen, chief executives, and managing directors) could foresee a return to the traditional, full-time core employment. Instead, they predicted that by the year 1998, the core/complementary model of employment would become fully established. A rapid increase in the shift from permanent to fixed-term contracts and greater use of contract alternatives, such as part-time, job sharing, and telecommuting was also predicted.

This change in the nature of the employment relationship has profound consequences for the way in which individuals involve themselves in the organizations for which they work (Pearce, 1993). All of the unwritten contractual

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obligations implicit in the old employment relationship—for example, the security of a job for life in return for organizational commitment and citizenship—are no longer appropriate. An employee is now only a relatively temporary resident in the organizational condominium (Handy, 1994). Can the organization still expect loyalty and commitment in return? How can organizations function without at least some employees thinking, feeling, and behaving on behalf of the organization as “organizational citizens”? How can organizational citizenship be created and managed despite increased demands for individual flexibility and a short-term reactive climate? Despite the urgent need for answers to these kinds of questions, organizational research has only just begun to address some of the critical issues they raise.

Here it is proposed that the concept of psychological contract is vital to an analysis of changes in the nature of the employment relationship. A *psychological contract* is an unwritten agreement that exists between an individual and the organization when undertaking terms of employment (Argyris, 1960; Levinson, 1962; MacNeil, 1985; Schein, 1980). The psychological contract signals issues of exchange and of mutual expectation in the link between individuals and the organizations for which they work (Farnsworth, 1982). More formally, Rousseau (1995) defines the psychological contract as “an individual’s belief in paid-for promises, or a reciprocal obligation between the individual and the organization” (pp. 16-17).

Beliefs in reciprocal obligations can arise from overt promises (e.g., bonus systems discussed in the recruitment process), interpretations of patterns of past exchange, vicarious learning (e.g., witnessing other employees’ experiences), as well as through various factors which each party may take for granted (e.g., good faith or fairness; Rousseau, 1995). Rousseau goes on to propose that certain factors, such as overt promises, lead individuals to believe that a contract exists. The more explicit the promise (e.g., in front of other employees), the stronger the belief in the contract. Thus, one of the central assumptions upon which the concept of a psychological contract is based is the consistency between what is promised and what is received. The more stable and consistent are the organization’s requests and promises, the more likely an employee develops an unambiguous and consistent perception of his or her obligations and entitlements (Rousseau, 1985).

Rousseau and her colleagues (Rousseau, 1989; Rousseau & McClean Parks, 1993) proposed that contracts can be described on a continuum ranging from *transactional* to *relational*. They proposed that a transactional obligation is linked with economic exchange, while relational obligations are linked with social exchange (Blau, 1964). Unlike economic exchange, social exchange “involves unspecified obligations, the fulfillment of which depends on trust because it cannot be enforced in the absence of a binding contract” (Blau, 1964,

p. 113). While social exchange focus beliefs on reciprocity between parties, economic exchange beliefs maintain that transactions between parties are independent events, neither long-standing nor ongoing. Issues such as trust, attachment, or commitment to specific exchange patterns are left out of a transactional contract (Rousseau, 1995). It is a contract defined in terms of a monetary exchange for specific times and tasks. The individual is compensated for satisfactory performance, being employed purely on current value to the organization. In comparison, a relational contract is not time-bound; instead, it establishes an ongoing relationship between the person and the organization, and involves the exchange of both monetary and nonmonetary benefits (e.g., mutual loyalty, support, and career rewards). Under the relational contract, the locus of responsibility is on the employer. That is, employees will remain loyal in return for job security, valuing *per se* their relationship with the employer, as well as other long-term gains (e.g., career development).

Under the relational psychological contract, it is further proposed that employees come to identify with the organization through promotion from within, mentoring, and socialization (Rousseau, 1995). This type of psychological contract implies that individuals will fully internalize company values and link their identities with the organization. In contrast, under a transactional contract, an individual's identity is said to be derived from their unique skills and competencies, those on which the exchange relationship itself is based. For transactionally oriented employees, the organization is simply the place where individuals do their work and invest little emotional attachment or commitment to the organization. It is the place where they seek immediate rewards out of the employment situation, such as pay and credentials.

Rousseau (1990) conducted a survey on newly recruited MBAs to an organization, examining the development of psychological contracts. She found that employees developed their contractual orientation to the organization during the recruitment process. In particular, it was found that the content of the contract (i.e., transactionally or relationally oriented) was related to the type of relationship the employee sought with the employer. It was discovered that those individuals using their current jobs as one stepping stone to another, and who emphasized short-term monetizable benefits in exchange for hard work, demonstrated a more transactionally oriented short-term view of their commitment to the organization. By contrast, those seeking a long-term relationship with their employer felt party to a contract exchanging job security for their loyalty, indicative of a more relational type of contractual orientation.

Hall and Mirvis (1995) proposed that one way to view the contemporary psychological contract in the current organizational climate is to say that it is shifting from a relational to a transactional character. Indeed, Hall proposed that those employees in the core of a business are more likely to have a

relational contract with the organization than those on the periphery of the organization, who in turn are more likely to have a transactional employment agreement.

Schein (1980) argues that a psychological contract, despite being an unwritten agreement, can act as a powerful determinant of organizational behavior (see also Argyris, 1960). Employees who are relationally oriented to the organization are more likely than those who are transactionally oriented to be committed to organizational goals and values or to behave as *organizational* citizens; that is, going the extra-mile, pursuing corporate interests and activities, behaving cooperatively, and generally contributing to organizational effectiveness (Rousseau, 1995). If, as the IMS survey indicated in 1994, a more transactional employment climate is evolving and is set to prevail, individuals are less likely to be relationally than transactionally orientated in their approach to work. This could be problematic for organizational effectiveness since it can be speculated that the more transactional employee are in relation to their work, the lower their level of organizational commitment citizenship.

The predicted relationship between type of psychological contract and level of organizational commitment raises both conceptual and empirical issues. It might be argued that the psychological contract model holds little explanatory or predictive significance over and above the concept of organizational commitment (e.g., Argyle, 1989; Etzioni, 1961). For example, Argyle proposed that commitment can be thought of in two ways: calculative and affective commitment. *Calculative commitment* corresponds to Etzioni's notion of *utilitarian exchange*, signaling an instrumental attachment to an organization, while *affective commitment* corresponds to Etzioni's notion of *moral involvement*, signaling a noninstrumental, emotional attachment to the organization through internalizing its values. This conceptualization of commitment echoes with the idea of a transactional (i.e., calculative) and relational (i.e., affective) contractual orientation.

Likewise, Becker's (1960) behavioral theory of commitment pictures an individual bound to the organization through instrumental interests (e.g., salary, benefits, seniority/status; underpinning the work of McGee & Ford, 1987) indicating, perhaps, a kind of transactional organizational orientation. Similarly, the affective/attitudinal view of commitment parallels the idea of a relational organizational orientation insofar as it is defined as "the strength of an individual's identification and involvement with an organization" (Mowday, Porter, & Steers, 1982, p. 12).<sup>2</sup> It might be argued, then, that the psychological

<sup>2</sup>It should be noted that this brief tour of commitment concepts is a simplified version of what is truly a very complex and multifaceted area (Meyer, Allen, & Smith, 1993). Morrow (1983), for example, noted that there are more than 25 different commitments.

contract model is merely a model of organizational commitment by another name: Transactional orientation is uncannily similar to the calculative type of commitment proposed by Etzioni (1961), and the relational orientation is uncannily similar to Etzioni's idea of an affective/attitudinal type of commitment.

However, the conceptual and empirical overlap between the two models is difficult to ascertain from the existing literature. The concept of organizational commitment used by contemporary researchers is anchored one-sidedly in the affective/attitudinal tradition of Porter, Steers, Mowday, & Boullian (1974). This tradition forms the basis of the most well-known and frequently used measure of organizational commitment (Mowday, Steers, & Porter, 1979)—the Organizational Commitment Questionnaire (OCQ).

The OCQ is designed to measure three aspects of commitment: intention (a definite desire to maintain organizational membership), motivation (a willingness to exert considerable effort on behalf of the organization), and values (a strong belief in and acceptance of the organization's goals and values). OCQ scores have been found to be highly predictive of organizational turnover (Angle & Perry 1981; Koch & Steers, 1985; Porter, Crampton, & Smith, 1976), absenteeism (Eisenberger, Huntington, Hutchinson, & Sowa, 1986), tenure (Mowday et al., 1982), and productivity (Eisenberger et al., 1986). Yet, what of the other side of the equation? Is a low score on the OCQ indicative of a calculative/instrumental form of commitment, or is it something conceptually and empirically distinct?

The current research is designed to investigate the relationship between the psychological contract model and the concept of organizational commitment. The first objective is to create a psychometrically reliable operationalization of the two types of psychological contracts proposed by Rousseau (1989, 1995). The second objective is to assess both the construct and predictive validity of the psychometric scale(s) against measures of contract type (full-time/part-time, permanent/temporary), duration (contract tenure), and number of hours worked on average per week (as a crude measure of "going the extra-mile"), relative to employees' OCQ scores. This should enable the identification of the unique power of the psychological contract measure to predict going the extra mile, once variance explained by OCQ scores is accounted for.

In addition, a third objective is to examine the relative empirical validity of the concept of *job* (as opposed to organizational commitment) against the psychological contract model. Clearly, Rousseau (1989, 1995) uses the concept of psychological contract at an organizational level, as opposed to a job level, of analysis. Yet, it is a particular job that an employee is contracted to do by the organization. Moreover, the job is the immediate, local, and concrete

source of experience that mediates or frames the development of contractual beliefs. The organization is a more distal, superordinate and abstract entity. Indeed, it could be argued that feelings toward the job mediate feeling toward the organization.

Few, however, have examined, either conceptually or empirically, the idea of commitment to the job itself. Mowday et al. (1982) argue that organizational commitment is conceptually distinct in its focus and time frame from job-specific commitment and involvement (Brooke, Russell, & Price, 1988; Weiner & Vardi, 1980). The same could be said for a distinction between job and the other forms of work-related commitment (e.g., occupation/profession, career, employment, departmental, team; Meyer et al., 1993). Here a case is made for looking at job-specific as opposed to more generalized non-job-circumscribed forms of commitment. Hall (1971) has already argued that while these different forms of commitment are likely to be intercorrelated, they are theoretically distinct and may have different causes and consequences.

Since there is no established measure of job commitment, the recommendations of Reichers (1985) were adopted for the present study. Reichers said that the OCQ could be justifiably modified to reflect commitment to other work-related entities. On the basis of this, the 15-item version of the OCQ (Mowday et al., 1979) was modified for the present study. OCQ items were altered by substituting the term "job" for the term "organization." In the light of Porter et al.'s (1974) conceptualization of organizational commitment, job commitment was defined as the strength of an individual's identification with and involvement in a particular job and is comprised of three main operational factors: a strong belief in and acceptance of the job-specific goals and values, a willingness to exert considerable effort for the job, and a definite desire to remain in that particular job.

To sum up, our research is guided by the following hypotheses:

*Hypothesis 1.* Two distinct types of psychological contract, relational and transactional, will be identifiable in employees' responses to items in the proposed scale.

*Hypothesis 2.* The two types of psychological contract will be inversely correlated, since it is proposed that they operate in functional antagonism; that is, the higher the relational orientation, the lower the transactional orientation, and vice versa.

*Hypothesis 3.* Those in professional, managerial, and supervisory jobs will be more relational in their psychological orientation

than will those in skilled manual jobs, who, in turn, will be more transactional in their psychological orientation. This is based on the expectation that the more senior the position, the greater the number of corporate responsibilities in association with the job and the higher the expected level of organizational investment (Rousseau, 1995).

*Hypothesis 4.* The more relational the psychological orientation of employees, the higher will be their level of self-reported job and organizational commitment. Conversely, the more transactional the psychological orientation of employees, the lower will be their level of self-reported job and organizational commitment.

*Hypothesis 5.* Employees with permanent employment contracts will be more relational in their orientation to the organization, while those with temporary employment contracts will be more transactional in their orientation. This hypothesis derives from Rousseau's (1995) claim that the type of psychological contract that an individual forms with his or her organization is related to the length of the contract and duration of employment.

*Hypothesis 6.* Full-timers will be more likely to hold relational than transaction beliefs; part-timers will be more likely to hold transaction than relation beliefs, irrespective of differences in job tenure.

*Hypothesis 7.* Job and organizational tenure will be positively correlated with a relational orientation and negatively correlated with a transactional orientation. Rousseau (1989) maintains that the more enduring the relationship between the individual and the organization, involving repeated cycles of contribution and reciprocity, the more relational the contractual orientation will become. This hypothesis presupposes the development of mutual trust.

*Hypothesis 8.* The extra-mile proposition would presuppose that the number of extra unpaid hours worked per week will be positively correlated with a relational orientation and negatively correlated with a transactional orientation. The relational orientation is expected to be a significant predictor of whether an

employee is willing to work extra hours without pay over and above differences in age, gender, tenure, and commitment. This hypothesis also guides us in a test of the assumption that contractual orientation and commitment are conceptually and empirically distinct constructs.

## Method

### *Design*

A correlational design was employed, with the data derived from questionnaires distributed on a quasi-random basis to employees working in different functions/divisions within four different organizations (all U.K.-based, private-sector multi-nationals in the service rather than the production industry). Questionnaires were completed and returned directly to the researchers using pre-paid envelopes to ensure employee anonymity. Respondents were informed that the research was concerned with how individuals think and feel about their jobs, as well as the organization they work for, as part of a research program on outsourcing.

### *Sample*

Questionnaires numbering 1,200 were distributed. Completed questionnaires were obtained from 476 male and female employees, ranging in age from 16 to 60 years old, the average age being 33 years old ( $SD = 12.0$ ). This represents a response rate of 39.7%, which is a reasonable figure, given the generally low response rates obtained from questionnaire-type research. The sample comprised 221 males (46.4 %) and 255 females (53.6 %). Respondents worked in a variety of different jobs. For the purpose of this study, type of job was classified according to the Hall-Jones (1978) Occupational Classification System (1978). This classification consists of eight groupings with a range of jobs in each, ranging from highly skilled and professional in the first category, to unskilled. The occupational classifications that the sample fell into are outlined in Table 1. Classifications of job title coupled with job descriptions were made by two independent raters, which were then subject to concordance analysis. A satisfactory agreement level of .93 was obtained. Out of eight possible classifications, the total sample fell only into the top five occupational categories. This was sufficient in providing a broad range of different jobs and professions on which to base a largely psychometric study.

By far the majority of the sample (76.7%) was in full-time employment. Number of years in the job ranged from 0 to 33 years (mode = 0 to 2 years,  $M = 5$



Table 1

*Taxonomy of Job Classifications Using the Hall-Jones Occupational Classification Scheme*

Type of job	Number of respondents	Total sample
Professionally qualified	87	18.3%
Managerial/executive	82	17.2%
Inspectional/supervisory	235	49.4%
Skilled manual	72	15.1%

years), while the number of years in the current organization ranged from 0 to 34 years (mode = 0 to 2 years). The majority (58.4%) of respondents described their employment contract as "permanent," 32.2% described it as "fixed term" while 9.4% described it as "temporary." Average reported number of hours worked ranged from 1 to 70 hours per week, with a mode of 40 and a mean of 38.20 ( $SD = 2.03$ ), and average reported number of extra unpaid time worked per week ranged from 0 to 34 hours per week, with a mode of 15 and a mean of 14.23 ( $SD = 4.62$ ).

*Materials*

Employees completed a self-administered questionnaire in four parts: biographical ("About yourself and your work history"), organizational commitment ("How you feel about the organizational you work for"), job commitment ("How you feel about your job"), and psychological contract ("General thoughts and feelings about your work"). Section 1 seeks demographic information on age, gender, type of job (free-response format), type of contract (full-time, part-time), number of years in current job/organization, length of contract (permanent, temporary, fixed term, other), average number of hours worked per week, and average number of extra unpaid hours worked per week. This information pertains to hypotheses that there will be differences in psychological contract as a function of differences in actual employment contract as well as basic biographical factors such as age, gender, and tenure. Section 2 is comprised of the OCQ (Mowday et al., 1979), a 15-item scale designed to measure the extent to which employees feel committed to the employing organization. The scale includes items tapping feelings of loyalty toward the organization, willingness to exert a great deal of effort to achieve organizational

goals, and acceptance of the organization's values. All items represent statements to which responses are made on 7-point Likert scales ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). Sample items include "I talk up this organization to my friends as a great organization to work for" and "I am proud to tell others that I am part of this organization." The wording of six of the items is reversed in order to minimize response set bias. A measure of overall commitment for each respondent is ordinarily obtained by taking the mean score across all items.

The OCQ is widely used and is supported by extensive psychometric data (Mowday et al., 1982). In the present study, the scale obtained a Cronbach's alpha of .69, indicating a fairly satisfactory degree of internal (interitem) consistency. However, this figure does not compare very favorably with the alphas cited in early work developing the OCQ (Cronbach's alphas ranging from .82 to .93; Mowday et al., 1979). Examining the item-total correlations shows that Items 3 and 7 are problematic (i.e., less than .30—Cronbach's recommended cutoff criterion). Removing both items from the reliability analyses increases the alpha coefficient to .89, a much more satisfactory degree of internal consistency. The mean scale score for the revised OCQ is 4.3 ( $SD = 1.25$ ), indicative of a fairly moderate level of organizational commitment in the current sample. There were no differences between male and female employees in their level of organizational commitment (males  $M = 4.2$ ,  $SD = 1.1$ ; female  $M = 4.0$ ,  $SD = 0.7$ ),  $t(470) = -0.147$ , *ns*.

Section 3 is comprised of a job commitment scale created by adapting the items in the OCQ to read *job* rather than *organization*. A Cronbach's alpha coefficient of .86 was obtained, indicating a highly acceptable level of internal consistency. A scale mean of 4.7 ( $SD = 1.2$ ) for this measure indicates a moderate to high level of job commitment in the current sample. As for organizational commitment, there were no differences between male and female employees in their level of job commitment (male  $M = 4.3519$ ,  $SD = 0.566$ , female  $M = 4.3500$ ,  $SD = 0.687$ ),  $t(470) = -1.06$ , *ns*.

Scale scores from the revised OCQ (rOCQ) and the Job Commitment Questionnaire (JCQ) were then correlated using Pearson coefficients yielding a figure of .51. This suggests that while the two types of commitment explain a substantial proportion of common variance ( $p \simeq 0$ ), much variance still remains unexplained. We can thus justify treating job commitment and organizational commitment as conceptually distinct types. Subsequent analyses in the Results section confirm the appropriateness of this assumption for this particular study.

The final section of the questionnaire is comprised of a measure of contractual orientation. The questionnaire comprised 50 statements each constructed on a priori grounds to tap one of two types of contractual orientation (Rousseau,

1989, 1995)—relational and transactional. A focus group of 6 employees (3 males and 3 females), all in professional jobs, discussed the validity of each statement as indicators of the proposed contractual types. Through this process, 13 statements were discarded, resulting in a 37-item measure, comprising 22 relational and 15 transactional statements. Examples of relational statements include, “My job means more to me than a means of paying the bills” and “I invest myself in my place of work.” Examples of transactional statements include “I work only the hours set out in my contract and no more” and “My loyalty to this organization is contract specific.”

### Results

A confirmatory principal components analysis with oblimin rotation to simple structure was applied to the overall measure. A two-factor solution was predicted in the specification. The item-weighting cutoff point was set at a stringent figure of 0.40. The oblimin rotation was chosen since there was no reason to expect that the two predicted factors would be orthogonal. The rotation procedure converged in 10 iterations, producing a two-factor solution consistent with prediction—although not item for item—explaining 36.9% of variation in the data (Table 2).<sup>3</sup> Twenty items loaded on the first factor, and 13 items loaded on the second factor. The first factor comprised items that were largely job-, task-, short-term goal- and contract-oriented, while the second factor comprised items that were largely relationship- and development-oriented, focusing on issues of promotion, teamwork and cooperation, skill and career development, and organizational investment and identification. This pattern was consistent enough with the conceptual hypotheses underpinning scale construction to justify the labels *transactional-orientation* for Factor 1 (20 items) and *relational-orientation* for Factor 2 (13 items).

Two items—Items 30 (“I work toward long-term organizational goals”) and 17 (“I work weekends/late nights in order to get the job done”)—did not load on either of the two factors and were excluded from further subscale analyses. Two items loaded on both factors—Item 13 (“This job is a stepping stone in my career development”) loaded negatively on Factor 1 and positively

<sup>3</sup>The scree test identified eight factors obtaining eigenvalues above 1.0; all factor solutions between 3 and 8 were attempted to enable an examination of factor structure relative to the amount of extra variance explained. None of the factor solutions beyond the four-factor solution added value to the analysis: were highly intercorrelated and comprised many overlapping items. Moreover, very little extra variance was explained. The two-factor solution was compared to the three-factor and four-factor solutions, and was found to be the most meaningful and parsimonious. Moreover, each of the two subscales produced from the analysis proved highly internally consistent.

Table 2

*Confirmatory Factor Analysis*

Item no.	Factor 1 (transactional)	Item no.	Factor 1 (transactional)	Factor 2 (relational)
PC15 (T)	-.73	PC2 (T)	-.48	
PC6 (T)	-.71	PC14 (T)	-.47	
PC10 (T)	-.69	PC18 (R)	+.44	
PC7 (R)	+.65	PC31 (R)	+.42	
PC16 (T)	-.64	PC34 (R)		+.77
PC11 (T)	-.61	PC22 (R)		+.74
PC12 (T)	-.60	PC28 (R)		+.70
PC9 (T)	-.55	PC21 (R)		+.65
PC19 (R)	+.55	PC27 (R)		+.62
PC8 (T)	-.54	PC29 (R)		+.61
PC1 (T)	-.53	PC24 (R)		+.57
PC26	+.53	PC20 (R)		+.55
PC4 (T)	-.51	PC13 (R)	-.49	+.49
PC5 (T)	-.50	PC25 (R)		+.45
PC3 (T)	-.50	PC23 (R)		+.45
PC36 (R)	+.49	PC37 (R)	+.41	+.43
		PC35 (R)		+.43

*Note.* PC = psychological context, T = transactional, R = relational. Key (T, R) refers to predicted conceptual basis of each item compared against obtained empirical pattern. Factor 1 eigenvalue = 9.81055 and 28% variance; Factor 2 eigenvalue = 3.09757 and 8.9% variance. Factor weights are rounded for clarity.

on Factor 2, and Item 37 ("I identify with the goals of this organization") loaded positively on both factors. Both of these items were removed from the analysis so that independent subscales could be produced.

Each resulting factor (comprising all except the two cross-loaded and two unloaded items) was treated as a subscale and checked for reliability. All of the relational items ( $n = 11$ ) were internally consistent, obtaining a Cronbach's alpha of .86. All of the transactional items were also reliably interrelated ( $n = 20$ ), yielding a Cronbach's alpha of .88. In both instances, all item-total correlations were above .30, Cronbach's recommended cutoff criterion. A small significant difference was obtained for male and female employees on the relational but

not the transactional subscale (relational: female  $M = 4.2$   $SD = 1.1$ , male  $M = 4.6$ ,  $SD = 1.2$ ),  $t(468) = -2.06$ ,  $p < .05$ , suggesting that—in the current sample at least—female employees exhibit slightly less of a relational orientation to their work than do their male counterparts.

These results provide support for Hypothesis 1, suggesting that the two types of contractual orientation proposed by Rousseau (1989, 1995) can be reliably modeled at the empirical level. A subscale score of 3.6 ( $SD = 1.2$ ) was obtained for the transactional orientation (TO) and a subscale score of 4.4 ( $SD = 1.2$ ) was obtained for the relational orientation (RO; see Appendix 1 for a list of the final items comprising each subscale). This suggests that employees in the current sample were more inclined to be relational rather than transactional in their contractual orientation to work. Subscale scores were found to be negatively correlated ( $r = -.61$ ,  $p \approx 0$ ) such that the higher the relational orientation, the lower the contractual orientation, and vice versa. This provides further empirical support for the conceptual distinction between the two proposed types of psychological contract (Hypothesis 1) and, in particular, for the proposition that they represent opposite ends of a bipolar continuum (Hypothesis 2).

#### *Contractual Orientation and Commitment by Type of Job*

Table 3 shows that there are significant differences in extent of contractual orientation and type of job,  $F(3, 473) = 10.6660$ ,  $p < .001$ . Specifically, those in skilled manual jobs are significantly more likely than those in supervisory, managerial, and professional jobs to be transactional in their orientation to work (*post-hoc* Scheffé test  $p < .05$ ). Also, those in supervisory jobs are more likely than those in managerial or professional jobs to be transactional in their work orientation (*post-hoc* Scheffé test  $p < .05$ ). Conversely, those in professional, managerial, and supervisory jobs are more likely than those in skilled manual jobs to be relationally oriented to their work,  $F(3, 473) = 2.7465$ ,  $p < .05$ . There are also differences in job,  $F(3, 473) = 4.6146$ ,  $p < .01$ , and organizational commitment,  $F(3, 473) = 2.6853$ ,  $p < .05$ , as a function of type of job. Specifically, those in professionally qualified jobs express significantly more job commitment than do employees in skilled manual jobs (*post-hoc* Scheffé test  $p < .05$ ), with employees representing the other two categories scoring in between the highest and the lowest subscale score. Note that, nonetheless, employees in all job categories express a relatively high level of job commitment overall.

Differences in organizational commitment are also displayed, with those in professional and managerial jobs expressing more organizational commitment than those in supervisory or skilled manual jobs (*post-hoc* Scheffé test

Table 3

*Mean Contractual Orientation by the Hall-Jones Occupational Classification Scheme*

Type of job	% of total sample	Relational orientation <i>M</i>	Transactional orientation <i>M</i>	Organizational commitment <i>M</i>	Job commitment <i>M</i>
Professionally qualified	18.3	4.5	3.4	4.5	4.9
Managerial/executive	17.2	4.6	3.5	4.4	4.8
Inspectional/supervisory	49.4	4.4	3.9	4.1	4.4
Skilled manual	15.1	3.7	4.4	3.9	4.1

$p < .05$ ). These findings provide support for Hypothesis 3, which predicts that those in senior-level managerial jobs will be more relational in psychological orientation than those in skilled manual jobs, who, in turn, were expected to be more transactional in their psychological orientation.

*Contractual Orientation and Commitment*

JCQ and rOCQ scores were correlated with the TO and RO subscale scores. JCQ scores were highly negatively correlated with the transactional measure ( $r = -.72, p \approx 0$ ) and highly positively correlated with the relational measure ( $r = .72, p \approx 0$ ): The higher the job commitment, the lower the likelihood of a transactional orientation to work and the greater the likelihood of a relational orientation. OCQ scores were negatively correlated with the TO subscale ( $r = -.32, p \approx 0$ ) and positively correlated with the RO subscale ( $r = .53, p \approx 0$ ): The higher the organizational commitment, the lower the likelihood of a transactional orientation to work and the greater the likelihood of a relational orientation. Both sets of findings are consistent with expectations (Hypothesis 4), but it is interesting that the correlations are substantially lower in strength for organizational commitment than for job commitment. The difference in strength of correlation of OCQ and JCQ scores with the TO and RO subscales

provides additional support for the argument of a conceptual and an empirical distinction between two types or levels of commitment.

Partial correlations were performed to ascertain the explanatory significance of organizational, relative to job, commitment against the RO and TO subscale scores. Partialling out variance attributable to the organizational level of commitment in the investigation of a relationship between the job level of commitment and TO and RO subscale scores reduces the strength of the correlations only very slightly (TO with JCQ scores, partial  $r = -.68$  vs. bivariate  $r = -.72$ ; RO with JCQ scores, partial  $r = .62$  vs. bivariate  $r = .72$ ). Thus, only a small proportion of variation in the relationship between job commitment and contractual orientation is explained by organizational commitment. Partialling out variance attributable to the job level of commitment in the investigation of a relationship between the organizational level of commitment scores and TO and RO scores substantially reduces the strength of the correlation (TO with OCQ, partial  $r = .07$  vs. bivariate  $r = -.72$ ; RO with OCQ, partial  $r = .15$  vs. bivariate  $r = .72$ ). Looked at in reverse, then, it seems that a very large proportion of variation in the relationship between organizational commitment and contractual orientation is explained by job commitment, which is perhaps not surprising, given that, ultimately, it is through and via the job that the employee is linked with the organization.

Altogether these results suggest that job commitment is more meaningfully related to contractual orientation than to organizational commitment. This interpretation is further supported by the finding that the relationship between TO and RO subscale scores is reduced considerably when variance attributed to job commitment is partialled out (partial  $r = -.20$  vs. bivariate  $r = -.61$ ), while it is reduced only in a very small way when variance attributed to organizational commitment is partialled out (partial  $r = -.55$  vs. bivariate  $r = -.61$ ).

### *Contractual Orientation and Employment Contract*

Differences in TO and RO subscale scores were investigated as a function of length of contract—permanent or temporary. Clearly, permanent employees are significantly more relational in their contractual orientation than are temporary employees,  $t(470) = 3.8, p < .05$ , while temporary employees are significantly more transactional in their contractual orientation than are permanent employees,  $t(470) = 3.8, p < .05$ . These findings provide support for Hypothesis 5, that permanent employees are more likely to be relational in their contractual orientation than are temporary employees, who in turn are more likely to be transactional in their contractual orientation.

TO and RO subscale scores were also examined for differences as a function of full-time/part-time contract. Means on the transactional measure were

slightly lower for full-timers ( $M = 49.8$ ) than for part-timers ( $M = 51.7$ ) although this difference is not significant,  $t(468) = 0.571$ , *ns*. RO subscale scores were also examined for differences as a function of full-time/part-time contract. Means on the relational measure were significantly higher for full-timers ( $M = 96.0$ ) than for part-timers ( $M = 83.4$ ),  $t(164) = 3.9$ ,  $p = .05$ . This finding holds, irrespective of differences in job tenure, covariate  $F(1, 474) = 2.526$ , *ns*. So, full-time employees are significantly more relational in their contractual orientation than are part-time employees, irrespective of differences in job tenure, but they do not differ in how transactional they are. Post-hoc analyses suggest that differences in organizational commitment, but not job commitment, partially explain this finding, covariate  $F(2, 473) = 45.983$ ,  $p < .001$ . That is, full-timers ( $M = 4.3$ ) express higher organizational commitment than do part-timers ( $M = 3.5$ ),  $t(468) = 4.3$ ,  $p < .05$ . This provides some support for Hypothesis 6.

Pearson correlations were performed between contractual orientation and job (reported number of years in the same job) and organizational tenure (reported number of years in the same organization). Contrary to the predictions of Hypothesis 7, RO subscale scores were not significantly correlated with either job ( $r = -.389$ , *ns*) or organizational tenure ( $r = .1235$ , *ns*). However, TO subscale scores were significantly negatively correlated with organization ( $r = -.2010$ ,  $p < .01$ ) but not job tenure ( $r = -.1055$ , *ns*). This suggests that with increased organizational tenure, the lower the likelihood of a transactional orientation, but not necessarily a higher relational orientation. Contrary to Hypothesis 7, then, job and organizational tenure are not positively associated with increased likelihood of a relational orientation. On the contrary, tenure appears to have little to do with contractual orientation of an employee.

Hypothesis 8, however, does obtain support. Self-declared number of unpaid extra hours worked per week was significantly positively correlated with RO subscale scores ( $r = .69$ ,  $p \approx 0$ ) and significantly negatively correlated with TO subscale scores ( $r = .54$ ,  $p \approx 0$ ). The more relational the contractual orientation, the greater the declared number of unpaid extra hours worked per week; the more transactional the orientation, the less the declared number of unpaid extra hours worked per week. This supports the extra-mile proposition presupposed by Hypothesis 8 that a relational contractual orientation is more likely to be predictive of extra (i.e., more than contractually expected) behavioral investment at work than the transactional orientation. Could this be due to other factors such as type of job, extent of commitment, tenure, age, or gender differences and type of contract? To investigate this, a stepwise regression analysis was performed. The dependent variable was variation in stated willingness to work extra unpaid hours to finish the job. Independent variables comprised of



relational and transactional subscale scores, organizational commitment and job commitment scores, as well as age, gender, type of job, length of contract, and organizational and job tenure. The solution yielded only one significant predictor of variation in willingness to work extra unpaid hours to finish the job; that is, the extent to which relational beliefs are held by the employees,  $r^2 = .1617$ ,  $F(df=1,470) = 9.265$ ,  $p < .003$ . In short, 16% of variance in willingness to work extra unpaid hours is explained by the relational orientation ( $\beta = 0.22$ ,  $t = 3.0$ ,  $p < .01$ ) even controlling for differences in age ( $\beta = -0.02$ , *ns*), gender ( $\beta = -0.1$ , *ns*), type of job ( $\beta = -0.1$ , *ns*), length of contract ( $\beta = 0.01$ , *ns*), organizational tenure ( $\beta = 0.09$ , *ns*), job tenure ( $\beta = -0.06$ , *ns*), organizational ( $\beta = 0.04$ , *ns*), and job commitment ( $\beta = 0.14$ , *ns*).

### *Discussion*

As expected (Hypothesis 1), two distinct types of psychological contract (relational and transactional) were identifiable in employees' responses to items in the proposed scale. The principal components analysis confirmed the predicted factor structure, almost item for item. The internal consistency for items on the relational subscale was high, obtaining a Cronbach's alpha of .86. Items comprising the transactional subscale were also reliably interrelated, yielding a Cronbach's alpha of .88. This result supports the assumption of conceptually and empirically distinct types of contractual orientation, as proposed by Rousseau (1989, 1990, 1995).

The two types of psychological contract were also found to be inversely correlated; that is, the higher the relational orientation, the lower the transactional orientation, and vice versa. This supports the proposition (Hypothesis 2) that the two contractual orientations are not only qualitatively distinct, but that they operate empirically in functional antagonism. This functional antagonism affords the inference that the two contractual orientations sit (conceptually speaking) at opposite ends of a bipolar continuum.

Employees in the current sample obtained higher relational than transactional scores on the contractual subscales. In line with a priori assumptions, the relational orientation comprised a tendency toward a promissory contract based on the following aspects: trust for the exchange party, high affective commitment, high degree of integration and identification with the exchange partner, expectations of stability and long-term commitments, and self-reported contribution to reciprocal exchange with the employing organization. Likewise, consistent with a priori assumptions, the transactional orientation was demonstrated by short-term frame and an attitude of limited organizational contribution, low commitment and weak organizational integration/identification, and attitudes of limited flexibility and easy exit.

Examining the construct validity of each of the two contractual subscales, it was found (confirming Hypothesis 3 and Hypothesis 4) that those in executive jobs (i.e., professional/managerial) were more relational in orientation than were those in nonexecutive and skilled manual jobs (who, in turn, were more transactional in their orientation), and the more relational the orientation, the higher the level of self-reported job and organizational commitment. Conversely, the more transactional the psychological orientation of employees, the lower their level of self-reported job and organizational commitment.

Compared with the measure of organizational commitment ( $r = .53$  with relational and  $r = -.32$  with transactional), job commitment scores were especially strongly related to the two contractual orientation subscales ( $r = .72$  with relational and  $r = -.72$  with transactional). The difference in strength of correlation provides evidence for the distinction between different types or levels of commitment (i.e., job vs. organization).

These findings also challenge Rousseau's (1989, 1990, 1995) assumption that the psychological contract model signifies an organizational as opposed to job level of analysis. In the present sample, the concrete "job" may have been more meaningful to employees in the contractual sense than the more abstract, superordinate "organization." Three kinds of evidence support this interpretation: (a) strength of job relative to organizational commitment; (b) partial correlations to ascertain the explanatory significance of job relative to organizational commitment in the psychological contract equation; and (c) partial correlations to ascertain the effect of partialling out job versus organizational commitment scores from the relationship between contractual subscales. Each of these forms of evidence will be examined in turn.

First, it is notable that job commitment scores were, on average, higher than organizational commitment scores. Second, and more telling, is the finding that partialling out variance attributable to organizational commitment had little effect on the relationship between job commitment and the relational/transactional subscales. Only a very small proportion of variation in the relationship between job commitment and contractual orientation is explained by organizational commitment. By contrast, partialling out variance attributable to job commitment almost completely nullifies the relationship between organizational commitment and the relational/transactional subscales. These results indicate that a substantial proportion of the variation in the relationship between organizational commitment and contractual orientation is explained by job commitment.

Finally, when explanatory variance attributable to job commitment is partialled out of the relationship between the two contractual subscales, the inverse correlation is substantially reduced. However, when explanatory

variance attributable to organizational commitment is partialled out, the strength of the correlation is only very minimally affected. Together, all three forms of evidence suggest that the job is pivotal to both contractual orientation and level of commitment, whereas the organization is a less meaningful, more conceptual entity for employees in the current study.

In line with expectations (Hypothesis 5), it was also found that employees with permanent employment contracts were more relational in their orientation to the organization, while those with temporary employment contracts were more transactional in their orientation. These results correspond with Rousseau's (1990) description of what constitutes a relational, as opposed to transactional contract. Temporary contracts are based on short-term exchange with low organizational expectations of emotional involvement, while permanent contracts are based on long-term exchange with high organizational expectations of emotional involvement. Thus, different contractual arrangements tend to give rise to different kinds of unwritten agreements between an individual and an organization. In a permanent contract, employees are more likely to develop a relationship built on trust, reciprocity, and long-term commitment. For temporary employees, the contract is primarily organized around flexibility and a more limited relationship with the organization, hence the transactional character of the psychological contract.

Only partial support was obtained for the hypothesis (Hypothesis 6) that full-timers will be more likely to relate relationally than transactionally to their jobs, irrespective of variations in length of job tenure. While full-timers were significantly more likely to be relational in their orientation than part-timers, they were no more or less likely than part-timers to be transactional in their contractual orientation. The findings are nonetheless in line with Rousseau's (1990) proposal that full-time workers are more likely to develop a relational orientation to the organization than part-timers.

The expectation that job and organizational tenure will be positively correlated with a relational orientation and negatively correlated with a transactional orientation was also confirmed (Hypothesis 7). Rousseau (1989) maintains that the more enduring the relationship between the individual and the organization, involving repeated cycles of contribution and reciprocity, the more relational the contractual orientation will become. This hypothesis presupposes the development of mutual trust.

The extra-mile proposition (Hypothesis 8) was also supported by the finding that the number of extra (unpaid) hours worked per week was significantly positively correlated with a relational orientation and significantly negatively correlated with a transactional orientation. Step-wise regression analysis confirmed that the relational orientation over and above differences in length of organizational and job tenure, levels of organizational and job commitment, type

of job, age, gender, and length of contract is a major predictor of whether an employee will work extra unpaid hours to finish the job. In short, 16% of variance in working extra unpaid hours is explained by the relational orientation to work, controlling for differences in age, gender, type of job, length of contract, tenure, and commitment. This finding provides the concept of psychological contract model, as operationalized in the current study, with some predictive as well as construct validity.

To summarize the findings so far, the fundamental empirical existence of two types of psychological contract has been ascertained by principal components and reliability analyses. Some evidence for both the construct and predictive validity of the subscales has also been derived from the psychometric analyses, in line with the predictions of the psychological contract model. However, some of the findings raise a conceptual and empirical challenge to the concept of the psychological contract as modeled by Rousseau (1995). To address this issue in part requires clarification of, and comment on, the relationship between contractual orientation and commitment.

First, while we found that the psychological contract is operationally similar to that of commitment, our findings demonstrate that it has descriptive and explanatory potential over and above the commitment concept. For instance, despite the high association between relational orientation and job commitment scores, the former accounts for a significant proportion of explanatory variance over and above the job and organizational commitment in predicting whether an employee will go the extra mile for an organization (i.e., work extra unpaid hours). Since our chosen measure of commitment favored the *affective* model of commitment, the conceptual and empirical relationship between contractual orientation and the *behavioral* model of commitment remains unexplored. We are not, therefore, in a position to comment on this aspect of commitment in relation to contractual orientation. Nonetheless, the evidence suggests that there is a place for the concept of psychological contract in addition to the concept of commitment, while at the same time prompting us to be alert to the possibility of empirical overlap.

Despite this, the psychological contract model does not account for the finding that job commitment is much more strongly associated with contractual orientation than organizational commitment, rather than vice versa. This finding suggests that the psychological contract is a primarily a job-level rather than an organization-level phenomenon. Is this an artifact of measurement or a valid reflection of how individuals experience their attachment to organizations? Is it reasonable to assume that individuals might experience attachment to the organization via the concrete here-and-now experience of their job? In the current study, employees demonstrated, on average, a high job commitment but only a moderate level of organizational commitment, indicative of a scenario

where the job (and its immediate context) but not the organization is the main object of emotional investment and attachment. Is this a sample-specific finding or is it something more general?

On the commitment front, we can also easily envision the possibility of much individual variation in level of commitment to the organization being explained by job type, status, or both (e.g., some jobs involve more corporate responsibility than do others), and perhaps also differences in level of professional or career commitment, both of which are to some extent organizationally dependent. The words of Reichers (1985), that we should try to understand commitment from the standpoint of the committed—whether this be to the job, team/department and other local structures, or more distal structures—seem to ring true at this point. In turn, this will perhaps have implications for the way the psychological contract is conceptualized, that is, whether it is articulated in relation to the job or to the organization as a whole.

The possibility that the psychological contract may be articulated in different ways (via the job, the organization, and maybe also via the occupation, profession, or career) of course raises a major conceptual challenge to the psychological contract model as it currently stands. The psychological contract may be an indicator of what it means to an employee to be in the job he or she is doing, in that particular organization and with particular career values and personal goals in mind.

Alternatively, is the job level of analysis a more appropriate conceptual (and empirical) focal point for investigating organizational phenomena? Despite only a moderate organizational commitment, the relational orientation is nonetheless relatively high. Maybe this is reflection of marketplace reality insofar as it puts the onus on *individuals* to take responsibility for their employment and their careers. Evidence suggests that, indeed, there is much more emphasis on *personal* (personal and interpersonal level) than *social* (group and intergroup level) identifications in the contemporary workplace (Mael & Tetrick, 1992; Turner, 1987). It is perhaps therefore not surprising that the job is more meaningful as a vehicle for establishing psychological contracts than the so-called *virtual organization* (existing merely as a concept, rather than a concrete reality) that is the face of things to come in the millennium (Handy, 1994).

The concept of psychological contract employed in the current study is not intended to be a static phenomenon. Changes in job circumstances and organizational factors (e.g., pay raises, promotion prospects, training, benefits, bonuses) continually lead individuals to reassess their psychological contract along the transactional/relational continuum. It is unlikely that anyone will exhibit one or another type of psychological orientation in pure form; in reality, the psychological contract is likely to be expressed in a much more dynamic and combinatorial way than perhaps the current study has given credit.

The current research has important implications for organizational effectiveness. In an economic climate of increased flexibility, short-term contracts, fewer core workers, and fewer opportunities for full-time employment, employees nonetheless exhibit, on average, a higher relational than transactional orientation to their work. Is this because of the largely job-centered way in which employees in the current sample articulated their psychological contract? Recall also the much lower level of organizational than job commitment. Might the high average number of extra hours of unpaid work performed be an expression of an overcompensatory survival strategy—that is, on the illusion of a promise of future job security (e.g., Kozlowski, Chao, Smith, & Hedlund, 1993)? What are the consequences of such a low level of corporate investment and social identification? Less organizational cooperation and citizenship? Less corporate efficiency and effectiveness?

We have only just begun to address these kinds of burning organizational issues. Employees may feel quite able to identify and invest themselves in their jobs but may consider it pointless investing in an organization which is not fulfilling its traditional employer obligations (e.g., job security, personal and career development). Future studies will also need to address this issue of levels of identification in the workplace and its consequences for how the psychological contract is conceptualized and operationally defined.

The current study is necessarily much more limited in scope, being a largely psychometric exercise. It would have been useful to have explored some of the psychological consequences of more complex contractual arrangements and alternatives such as flexi-time, job-sharing, and telecommuting. The contractual subscales developed require further psychometric testing and validation against many more personal and organizational variables than managed here. What has been achieved, though, is some important discussion about some very real organizational issues concerning, in particular, the individual/organizational interface. Additional studies are currently under way to pursue the empirical and conceptual issues identified and particularly the relationship between the psychological contract model and identity processes.

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## Appendix

*Psychological Contract Subscale Items**Transactional Items (20 Items)*

(-) pertains to reverse-scored items.

1. I do this job just for the money.
2. I prefer to work a strictly defined set of working hours.
3. I do not identify with the organization's goals.
4. It is important not to get too involved in your job.
5. I expect to be paid for any overtime I do.
6. I come to work purely to get the job done.
- (-) 7. I intend to stay in this job for a long time (i.e., over 2 to 3 years).
8. My long-term future does not lie with this organization.
9. My loyalty to the organization is contract specific.
10. I only carry out what is necessary to get the job done.
11. As long as I reach the targets specified in my job, I am satisfied.
12. I work only the hours set out in my contract and no more.
14. It is important not to get too attached to your place of work.
15. I work to achieve the purely short-term goals of my job.
16. My commitment to this organization is defined by my contract.
- (-) 18. My long-term future lies within this organization.
- (-) 19. I will work for this company indefinitely.
- (-) 26. My job means more to me than just a means of paying the bills.
- (-) 31. It is important to be flexible and to work irregular hours if necessary.
- (-) 36. I am heavily involved in my place of work.

*Relational Items (13 Items)*

13. This job is a stepping stone in my career development.
20. I expect to develop my skills (via training) in this company.
21. I expect to gain promotion in this company with length of service and effort to achieve goals.
22. I expect to grow in this organization.
23. To me working for this organization is like being a member of a family.
24. I feel part of a team in this organization.

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25. I go out of my way for colleagues who I will call on at a later date to return the favor.
26. My job means more to me than just a means of paying the bills.
27. I feel this company reciprocates the effort put in by its employees.
28. The organization develops/rewards employees who work hard and exert themselves.
29. I am motivated to contribute 100% to this company in return for future employment benefits.
34. I have a reasonable chance of promotion if I work hard.
35. My career path in the organization is clearly mapped out.