

**Predicting key employee outcomes using employee
perceptions of the psychological contract and
organisational justice: A social exchange perspective**

by

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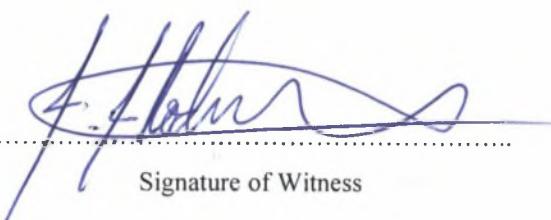
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Abstract

Social exchange theory views a relationship between two people as a series of transactions where benefits are given from one to the other in anticipation of future benefits or repayment of past benefits. Equity theory works with social exchange theory by suggesting that perceived inequity in the “give and take” of exchanges is responded to behaviourally or cognitively. The thesis investigates responses to perceived inequity in workplace relationships and the degree to which perceptions of justice in the organisation moderate employee responses to perceived inequity.

The psychological contract was used to operationalise the mental tally of transactions to calculate an employee’s perceived inequity between the employee’s perception of the employer’s promises and obligations and the employee’s own promises and obligations. Violation of the psychological contract, the emotional response that sometimes follows the evaluation of a discrete event, was investigated to distinguish between the emotional and calculated components of the psychological contract. Reciprocity, the perception of the degree to which management demonstrates it cares for its employees, was included in the psychological contract measures. The behavioural responses examined were in-role and extra-role (or organisational citizenship behaviour) performance. Cognitive responses examined were intention to quit, job satisfaction and organisational commitment. The distributive, procedural, interpersonal and informational organisational justice factors were used.

The study was contextualised within the public sector. The longitudinal design used two employee surveys over six months at a regional local government authority. There were 496 respondents at Time 1 and 536 respondents at Time 2, representing a broad range of skilled and unskilled occupations. The qualitative research component of convergent interviewing provided additional insights and contributed to the Time 2 survey content. Archival records provided absenteeism, turnover and performance appraisal data. The analyses used structural equation modelling.

The research investigated employees’ responses when they perceive an unequal balance in the “give and take” of the relationship with their employer. Results indicated that perceived inequity in the psychological contract directly and moderately predicts in-role behaviour, altruism and conscientiousness. Violation directly and negatively predicts altruism as well as the cognitive behaviours of intention to stay, job satisfaction and commitment to the organisation. Informational justice moderates the path from violation to altruism and conscientiousness, while procedural justice moderates the path from violation to intention to stay and organisational commitment. Overall, violation was the strongest driver in the model, with more predictive power than inequity or reciprocity.

The results support social exchange theory by explaining a small variation in employees’ in-role behaviour, much of their cognitive responses and some, but not all, of employees’ extra-role behaviour. The research contributes to social exchange, psychological contract and organisational justice theories by demonstrating how organisational justice moderates the cognitive and behavioural outcomes of the psychological contract of currently working employees. The results suggest an opportunity to re-evaluate management practices and that it is possible to reduce the potential negative impact of employees’ perceptions of workplace inequity and violation.

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Writing this thesis put an enormous pressure on my husband, Brian, in so many ways. Honey, thank you. (I’ve finished the last bit. Truly. I’m back now.)

To our children Ben, James, and Francine – this is for you.

Denise Jepsen
7 November 2006

Addendum

In loving memory of
Gerald Howard Laurance
22 Dec 1932 to 13 Dec 2006

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