Effects of Psychological Contract Breach on Organizational Outcomes: Moderating Role of Tenure and Educational Levels

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In contemporary knowledge-intensive organizations, which are characterized by short product life cycles and unhindered access to information and resources, organizational survival, let alone success, necessitates higher-than-average performance. Engaged and committed employees are considered critical resources for organizational survival and business success. Research suggests that the quality of employment relationship significantly impacts employee attitudes.

Psychological Contract is a useful framework for examining the quality of employee-organization relationship. Psychological Contract Breach (PCB), defined as the cognition that one’s organization has failed to meet one or more obligations within one’s psychological contract in a manner commensurate with one’s contributions has deleterious effects of employee motivation. Previous research has shown that breach is a norm, not an exception.

However, given that PCB is an organizational reality, little effort has been made to examine the impact of PCB on critical behaviours of work engagement and commitment. Further, extant research on psychological contract has primarily tended to adopt main effects approach in examining the psychological contract-outcome relationship and not addressed various individual and situational variables which can alleviate/aggravate our reactions. Finally, most previous research on psychological contract breach has been conducted in Western countries where cultures are typically individualist and low in power distance.

This work is significant for three reasons:

• It examines the effect of PCB on two critical organizational outcomes: work engagement and affective commitment.
• It tests the role of individual level variables – tenure and educational level on PCB-Outcome relationship.
• It examines PCB in novel geographical context.

Respondents to a survey were 1,302 Indian managerial employees working in eight organizations in India. Results suggest that

• Tenure moderates the PCB-affective commitment relationship
• Education level moderates the effects of PCB on affective commitment
• Education level moderates the effects of PCB on work engagement.

Most of the research on psychological contracts has focused on direct effects of breach on organizational outcomes. By examining the moderating effects of employee tenure and educational levels, this study has unmasked some interesting findings in the PCB-outcome relationship. The results of this study suggest that much like their counterparts in the West, Indian employees perceive their psychological contracts to have been breached. The negative ramifications of PCB challenge organizations not to ignore the situation but to approach it.
Psychological contract comprises employees’ ‘beliefs about what they are entitled to receive, or should receive, because they perceive that their employer conveyed promises to provide those things’ in exchange for their contributions (Robinson, 1996, p. 575). However, sometimes (perhaps unwillingly), organizations are unable to meet all the promises conveyed (explicitly or implicitly) to their employees. This results in the state of psychological contract breach (PCB), which has been found to have detrimental effects on employee attitudes and behaviours (Raja, Johns & Ntalianis, 2004; Robins, Kraatz & Rousseau, 1994; Tekleab, Takeuchi & Taylor, 2005; Conway & Briner, 2002; Parzefall & Hakanen, 2010). Literature on PCB has blossomed progressively over the past decade and a half and there has also been a recent meta-analysis on the subject (Zhao, et al., 2007); yet review indicates that there are deficiencies in the extant literature, which need to be addressed.

First, although the effects of PCB on organizational outcomes are well documented, these studies seem to have been ‘stuck’ (p.78) in terms of examining only specific group of outcome variables (Taylor & Tekleab, 2004) such as - intention to quit, job satisfaction, and organization citizenship behaviour. While these outcomes are very pertinent for organizational effectiveness, scholars point out the need to examine the effects of PCB on other critical behaviours as well (Parzefall & Hakanen, 2010). Second, extant research on psychological contract has primarily tended to adopt main effects approach in examining the psychological contract-outcome relationship. Research suggests that our attitudes and behaviours towards our jobs do not change in a linear fashion (Rigotti, 2009). There are various individual and situational variables which can alleviate or aggravate our reactions. Indeed, previous work has demonstrated that not all individuals react equally to contract breaches (Coyle-Shapiro, 2002; Restubog & Bordia, 2006). Finally, most previous research on psychological contract breach has been conducted in the Western countries (Hui, Lee & Rousseau, 2004; Restubog & Bordia, 2006) where cultures are typically individualist and low in power distance (Hofstede, 1984).

This study seeks to address the preceding limitations of the extant literature and contribute to managerial knowledge by addressing the above mentioned literature gaps. First, the current study examines the effects of PCB on two critical organizational outcomes: work engagement and affective commitment. Second, the moderating effects of two relatively less explored individual level variables – tenure and educational level — on PCB-outcome relationship is also tested. Finally, examining the phenomenon of breach in a relationship-based collectivist culture is rare in extant literature and thus this study significantly contributes to existing compendium of knowledge on the subject.

The conceptual model representing the proposed relationships is depicted in Figure 1. The model suggests that PCB will decrease employees’ affective commitment and engagement with their work. Furthermore, it proposes that the PCB-outcome relationship (affective commitment and engagement) will be moderated by individual variables – tenure and education level of employees.

PSYCHOLOGICAL CONTRACT

Psychological contract consists of employee’s expectation about what they owe their employers (such as hard work, loyalty, and commitment) in exchange of what their employers owe them (such as opportunities for skill development, career growth, competitive compensation, healthcare benefits, among others) (Coyle-Shapiro & Kessler, 2000). There has been phenomenal growth in the literature on psychological contract in the recent years. The increasing number of journals covering the subject of psychological contract as well as special issues of Human Resource Management (1994), Human Resource Management Journal (1994), European Journal of Work and Organizational Psychology (1996), and Journal of Organizational Behaviour (1998; 2003) reflect the trend.

Psychological contract breach and its consequences are the most extensively studied aspect of psychological contract literature. Psychological contract breaches occur when employees perceive that their employers have failed to fulfil obligations or promises implied by their employers (Morrison & Robinson, 1997; Restubog, Bordia & Tang, 2006; Turnley, Bolino, Lester & Bloodgood, 2003). On experiencing breach, employees are more likely to see themselves in a state of inequity. Employees restore equity by altering their attitudes and behaviours such as lowered job satisfaction (Raja, et al., 2004; Robinson & Rousseau, 1994; Tekleab, Takeuchi, & Taylor, 2005), organizational commitment (Conway & Briner, 2002; Coyle-Shapiro & Kessler, 2000; Raja et al., 2004), health and well-being of employees (Gakovic & Tetrick, 2003; Johnson & O’Leary-Kelly, 2003), work engagement (Parzefall & Hakanen,
2010), innovativeness (Ramamoorthy, Flood, Slattery, & Sardessai, 2005) as well as increased turnover intentions (Robinson & Rousseau, 1994; Tekleab et al., 2005) and organization citizenship behaviour (OCB) (Coyle-Shapiro & Kessler, 2000).

Social exchange theory and the norm of reciprocity have been used as overarching theoretical frameworks to examine the affect of contract breach on outcomes (Robinson & Morrison, 1995; Rousseau, 1995). Social exchange theory postulates that when one party provides something to another, it expects reciprocation. Breach occurs when employees perceive a discrepancy between what they are promised and what they actually receive (Morrison & Robinson, 1997).

Effects of Psychological Contract Breach on Affective Commitment and Work Engagement

In this study, we examine the impact of PCB on affective commitment and work engagement. We chose to focus on affective commitment because it has been one of the most investigated responses of breach (Zhao, Wayne, Glibkowski & Bravo, 2007) and this relationship needed to be replicated in a novel social context. Work engagement is a high-leverage concept that has attracted increasing academic and practitioner interest in the recent years (Schaufelli, Bakker & Van Rhenen, 2009) for its significant implications on critical organizational outcomes.

Affective commitment refers to the degree to which employees experience an emotional attachment with their organization (Allen & Meyer, 1996). Research suggests that the extent to which individuals’ needs and expectations about an organization are matched by their actual experiences influences their levels of affective commitment (McDonald & Makin, 2000). Employees tend to view their social exchange with the organization as less valuable if they perceive the organization to inadequately fulfill its commitments. According to the norm of reciprocity, employees reciprocate the unmet promissory expectations by decreasing their affective commitment to the organization (e.g., Bunderson, 2001; Turnley & Feldman, 1999; Restubog, Bordia & Bordia, 2009; Deery, Iverson & Walsh, 2006; Dulac, Coyle-Shapiro, Henderson & Wayne, 2008; Huang, Shi, Zhang & Cheung, 2006). Replicating the past findings, in this study we hypothesize that:

Hypothesis 1a: PCB will be negatively related to affective commitment.

Work engagement is defined as a persistent and positive affective-motivational state. It consists of three components: vigour, dedication, and absorption (Schaufeli et al., 2002). The first dimension of engagement, vigour, refers to a high level of positive energy at work, resilience, and willingness to invest one’s efforts even in the face of difficulties. Dedication is characterized by inspiration, a sense of significance, and enthusiasm about one’s work. Absorption is characterized by being fully concentrated and happily engrossed in one’s work, whereby time passes quickly and it becomes difficult to detach from work. Empirical studies have provided evidence for a one-factor structure of work engagement to be more parsimonious (Welfald & Downey, 2009). Parzefall and Hakanen (2010) examined the effects of psychological contract fulfillment on work engagement. Building on the job demand resource model, the authors argued that perceived contract fulfillment could be viewed as a resource that the employees expected the employer to provide in the exchange relationship which fostered work engagement. However, work engagement has not been examined as a possible behavioural outcome of psychological contract breach although its relationship with contract fulfillment has been tested. For a long time, fulfillment of psychological contract was considered the opposite of breach. Lambert, Edwards and Cable (2003) have recently argued and empirically validated that these are two distinct components of the psychological contract (Conway & Briner, 2005) and that breach and fulfillment do not reside along a single continuum. They have unique effects on organizationally relevant outcomes and should be investigated separately.

Commensurate to the social exchange theory, when employees receive resources from their organization, in reciprocation they bring themselves more fully to work roles and devote greater amounts of cognitive, emotional, and physical resources (Kahn, 1990; Saks, 2006). Conversely, in situations of PCB, where employees perceive that an organization is not living up to its commitments in terms of providing promised inducements, they are motivated to put in extra efforts and be engaged to their tasks (Aggarwal, Thakore & Bhargava, 2010). Hence we posit that:

Hypothesis 1b: PCB will be negatively related to work engagement.
Moderating Effects of Individual Differences on PCB Attitudes Relationships

Much of the available literature on PCB presumes that the effect of breach on employee attitudes and behaviours is similar across employee groups. Nevertheless, it is widely accepted that since psychological contract consists of individuals’ beliefs about the terms and conditions of the exchange agreement between themselves and their organizations (Rousseau, 1989; 1995), these individual differences can affect their responses to contract breach. However, despite its long and widely acknowledged importance, studies examining the role of individual variables on psychological contract breach have been rather insufficient (Reynolds, 2003; Coyle-Shapiro & Neuman, 2004).

Scholars have argued that psychological contract breach is an individual’s subjective evaluation of employer’s promissory obligations rather than the objective existence (Robinson, 1996; Robinson & Morrison, 2000; Turnley & Feldman, 2000; Sparrow, 1996); and individual differences can potentially temper the severity with which employees respond to incidences of breach (Robinson & Morrison, 2000; Zhao et al., 2007). Thus there is need to examine the effects of these variables.

Research suggests that the fundamental groups to which individuals belong, such as age, gender, tenure, and level of education, have profound influence on their perceptions, attitudes, and performance (Pfeffer, 1983; Hall & Buttram, 1994; Williams & O’Reilly 1998; Kim, Murrmann & Lee, 2009). Although studies have examined, albeit sporadically, the role of age (Ng & Feldman, 2009; Bal, Lange, Jansen & Velde, 2008; Bellou, 2009) and gender (Bellou, 2009; Blomme, Rheece & Tromp, 2010) on the PCB-organizational outcome relationship, unfortunately, efforts to investigate the influence of education level as well as tenure are rather insufficient (Bellou, 2007; 2009). Researchers have stressed the importance of understanding these variables in gaining better insights into employment relationship. Therefore, the current study investigates the moderating role of relatively two less explored individual variables – tenure and education-level — on the relations between psychological contract breach and engagement and affective commitment.

Theoretical (Jolson, 1974) and empirical evidence suggests that individual’s relationship to the job and work organization changes as a result of socialization through successive levels of organization tenure. However, in terms of the impact of tenure on employee attitudes, there are two contradictory schools of thought. The first school of thought (Alutto & Hrebiniak, 1975; Staw & Ross, 1980; Stevens, Beyer & Trice, 1978) suggests that longer tenure has positive effects on employee attitudes and behaviours. Spending longer time in the organization results in acceptance of authority, organizational policies as well as organizational values (Schmidt & Posner, 1983). It has been found that long tenured employees have limited attraction to the job market, and tend to demonstrate greater internal work motivation, higher commitment, job involvement, and job security (Rhoades & Eisenberger, 2002).

However, there is a second school of thought which contradicts the aforesaid arguments. According to some scholars, employees with a short tenure in the organization are generally more accepting, optimistic, and enthusiastic about the new work environment and tend to demonstrate high levels of motivation to work in their first few months which is referred to as the “honeymoon period” than those with a longer tenure (Cropanzano, James & Konovsky, 1993; Helmreich, Sawin & Carsrud, 1986; Wright & Bonett, 2002). According to Rainey (2003), employees with long tenure become increasingly tired and distrustful and consequently show lesser tolerance for organizations’ decisions, policies, and actions (Coyle-Shapiro, 2002).

In the few studies which examined the effects of tenure on psychological contract contents, results were contradictory. While some argued that employees with long tenure placed greater emphasis on relational contracts (Rousseau & Mclean Parks, 1993; Rousseau, 1998; Herriot, Manning & Kidd, 1997), Bellou (1997) found that shorter the tenure, the less demanding were the employees.

All in all, the studies do not provide any clear direction of relationship between tenure and psychological contract contents; nevertheless the above evidence indicates that organizational tenure of employees may be a potential moderator of the effect of psychological contract breach on organizational outcomes. Hence it is hypothesized that:

Hypothesis 2: Tenure moderates the relationship of psychological contract breach and affective commitment and work engagement.
Education forms part of an individual’s total human capital endowments and improvises individual wisdom and evaluation process. Like tenure, there are mixed findings in terms of the effects of educational levels on outcomes. Some scholars have argued that since highly educated employees possess persistence, rationality, and thinking power, they have the ability to understand situations better and tend to assess them positively. Higher levels of study helps the individual to attain jobs which provide him/her with autonomy, promotion, prestige, good employment conditions, and the possibility of developing his/her professional capacities increasing the sense of personal control (Glenn & Weaver, 1982). Individuals with higher levels of education, it is argued, are less vulnerable to stress because of their greater ability to master the tasks and manage the work. People with higher levels of education have been found to be more satisfied with their jobs (Ross & Van Willigen, 1997). Contradicting this school of thought, Hall (1994) suggests that higher education induces higher expectations (Hall, 1994), which could result in dissatisfaction, when they are not met. In a study by Verhofstadt, Witte & Omey (2007), people with higher levels of education have been found to be less satisfied.

Studies examining the effects of education on PCB are limited. Of the few studies examining the role of education on psychological contract, Sels, Janssens & Brande (2004) found that as the educational levels increased, there was a move from long-term relational psychological contract to transactional, short-term psychological contract, suggesting clearly that individuals' view of their employment relationship changed based on their level of education. Bellou (2009) found that individuals with at least college education had relatively increased expectations. However, the impact of education on perceptions of employee’s psychological contract breach has not been studied. Hence we hypothesize that:

Hypothesis 3: Education moderates the relationship of psychological contract breach with affective commitment and work engagement

Figure 1 schematically presents the conceptual framework.

RESEARCH METHOD

Sample
Psychological contract researchers have strongly recommended the need to collect data from diverse samples to yield variability in responses (Guest, 1998; Turnley & Feldman, 1999; Zagenczyk, Gibney, Kiewitz & Restubog, 2009; Restubog, et al, 2009). Researchers approached the Human Resource heads of several organizations from various sectors, telephonically or through e-mail and were briefed about the study. Based upon their consent, a presentation about the objectives and scope of the study and
the implications of the findings for the organizations was made. Finally, data were collected from eight private companies in India representing eight different industries, namely- investment bank, manufacturing, business process outsourcing (BPO), knowledge process outsourcing (KPO), information technology (IT), pharmaceutical, telecommunication, and retail. Out of a final sample of 1,302 respondents, 56 (4.6 %) were from the knowledge process outsourcing sector, 123 (9.4%) from retail, 267 (20.5%) from business process outsourcing, 198 (15.2%) from information technology, 119 (9.1%) from investment bank, 216 (16.5%) from telecom, 229 (17.5%) from heavy engineering, and 94 (7.2%) from the pharmaceutical sector.

Profile of the Sample

This study focused on white-collared managerial population of these organizations. Managers are an important group to investigate because they play a key role in organizations by making important economic contribution to their organization (Quick & Cooper, 2002).

The 1,302 respondents included 910 males (69.9 %). The average age of employees was 30.4 years and the sample consisted of respondents from a fairly well distributed age-group varying between 21 and 62 years, with a predominance of respondents less than 30 years. In terms of educational attainment, the sample population consisted of employees with Diploma (8%), Graduates (30%), Professional Graduates (20%), Postgraduates (30%), Professional postgraduates (9%), and Ph.Ds (3%). With respect to hierarchical levels, 42.1 percent respondents were in junior management positions while 57.9 percent reported to be in senior management positions.

Instrument

Based on the literature review, psychological contract breach was measured by using Turnley and Feldman (2000) scale, tapping sixteen dimensions of the employment relationship and additional five items as validated by Aggarwal and Bhargava (2009) in the Indian context. In total, 21 items were used to measure psychological contract of employees. Employees were asked to respond to how much of the promises were fulfilled vis-à-vis what was committed to them. The 21 items were averaged with higher values representing greater degree of psychological contract breach. Affective commitment was measured by using 6 item scale developed by Allen and Meyer (1990). Work engagement was measured with the nine-item version of the utrecht work engagement scale (UWES; Schaufeli, Bakker & Salanova, 2006). All measures/scales were adequately reliable and were above the prescribed level of 0.70 (Nunnally, 1970). Organizational tenure was assessed with one open-ended question which asked the respondents the number of years they had worked in their organizations. Tenure varied from ten months to thirty nine years, the mean tenure being five years.

Since prior research has suggested that gender and age may influence PCB, we controlled for the effects of these variables. We used dummy variables to represent differences in gender (0 = male; 1 = female). Age was represented in years. Respondents were asked to indicate their educational level as - 0= Diploma, 1=Graduate, 2= Professional Graduate, 3= Postgraduate, 4= Professional Postgraduate, and 5= Ph.D. Tenure was represented in years and was classified into five groups: 1-3 years, 4-6 years, 7-10 years, 10-15 years, and more than 15 years. The average tenure of employees was 4.3 years.

DATA ANALYSIS

Confirmatory factor analysis (CFAs) was performed to evaluate the distinctiveness of the measures used in the study by employing Harmans’ one factor test. To do so, the model fit of 3 factor measurement model (psychological contract breach, work engagement, and affective commitment) was assessed using AMOS 6.

To test the research hypotheses, a series of hierarchical multiple regressions were performed. To identify the relationships between the independent, moderating, control variables and the dependent variable, Pearson correlation analysis was performed.

Since data were collected broadly from eight different organizations in eight sectors, differences on rating of variables were likely to exist. Hence, one-way analysis of variance (ANOVA) test was performed to examine these differences. The ANOVA comparing the organizations on the research variables showed that F values were significant for almost all variables. These mean differences were on expected lines since these organizations represented firms in different sectors, having different business process and challenges. Further, post-hoc analyses results based on Scheffe’s Test was conducted to test if pairs of means differences among variables formed any specific patterns. However, results did not yield any consistent pattern that could be used as the basis of cluster-
ing of the organization for further analyses. Lack of support (from Scheffe's Test) for cluttering the organization into cohorts as well as the fact that these eight organizations represented eight broad sectors of the economy, did not provide justification to do a sector-wise analyses. Therefore in order to maintain the diversity of our sample pool and capitalize on the statistical power, overall, we combined the samples in analysing the hypothesized relationships. This kind of methodology has been followed by researchers in recent literature (Restubog et al., 2009; Behery, 2009).

RESULTS

A confirmatory factor analysis using AMOS 5 was conducted to assess the affect of common method errors, since PCB, work engagement, and affective commitment were rated by the respondents. Results of model fit showed that three-factor model yielded better fit (GFI = 0.90; CFI = 0.91; TLI = 0.90; RMSEA = 0.06) than the single-factor model (GFI = 0.70; CFI = 0.42; TLI = 0.43; RMSEA = 0.17), suggesting that these three self-reported variables can be differentiated from each other.

Means, standard deviations, reliabilities and correlations for the study’s variables are presented in Table 1. The relationships of PCB with affective commitment (r = -0.30; p < 0.01) and work engagement (r = -0.22, p < 0.01) were significant. Tenure exhibited significant positive relationship with psychological contract breach (r = 0.01, p < 0.01) affective commitment (r = 0.17, p < 0.01) and work engagement (r = 0.16, p < 0.01).

Testing Hypotheses

Hypotheses 1a and 1b predicted a negative relationship between psychological contract breach and affective commitment and work engagement. The regression analysis suggests, as expected, that the effects of PCB on affective commitment is significant (F = 50.1, p < 0.001) and the $R^2$ change indicates that 14 percent of variance in affective commitment is explained by PCB. PCB is significantly and negatively related to affective commitment ($\beta = -0.38$, p < 0.001), thus supporting Hypothesis 1a (Table 2).

Hypothesis 1b predicted a negative relationship between psychological contract breach and work engagement. The overall model for work engagement is significant (F = 43.8, p < 0.001) and the $R^2$ change indicates that 11 percent of variance in work engagement can be explained by PCB. Results of regression analysis indicate that psychological contract breach is significantly and negatively related to work engagement ($\beta = -0.34$, p < 0.001), thus supporting Hypothesis 1b. The results of the regression analyses are shown in Table 2.

Hypotheses 2 and 3 each predicted a moderating effect of tenure and education on PCB-outcome relationship. We used moderated regression analysis to test these hypotheses, centring the independent variables around zero before creating the interaction terms. This was done in order to reduce the multicollinearity associated with the use of interaction terms (Aiken & West, 1991).

At this point, Tukey HSD tests were adopted to trace the differences among individuals with different levels of education and tenure. Although the sample was classi-

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**Table 1: Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Means</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td>0.30</td>
<td>0.45</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Age</td>
<td>30</td>
<td>7</td>
<td>-0.19***</td>
<td>1</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3. Education</td>
<td>2.1</td>
<td>1.1</td>
<td>-0.01</td>
<td>-0.09**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Tenure</td>
<td>4.3</td>
<td>5.7</td>
<td>-0.09***</td>
<td>0.71**</td>
<td>-0.17**</td>
<td>1</td>
<td></td>
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<tr>
<td>5. Job Level</td>
<td>1.5</td>
<td>0.49</td>
<td>-0.11**</td>
<td>0.31**</td>
<td>0.08**</td>
<td>0.19**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. PCB</td>
<td>-0.65</td>
<td>0.68</td>
<td>0.01</td>
<td>0.05</td>
<td>-0.04</td>
<td>0.01*</td>
<td>0.04</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Affective Commitment</td>
<td>5.4</td>
<td>1</td>
<td>-0.01</td>
<td>0.19**</td>
<td>-0.08</td>
<td>0.17**</td>
<td>0.10**</td>
<td>-0.30**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>8. Work Engagement</td>
<td>4.7</td>
<td>1.2</td>
<td>-0.05*</td>
<td>0.20**</td>
<td>-0.03</td>
<td>0.16**</td>
<td>0.12**</td>
<td>-0.22**</td>
<td>0.48**</td>
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</table>

**Table 2: Stepwise Multiple Regressions**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>R</th>
<th>$R^2$</th>
<th>$\Delta R^2$</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>PCB 0.04</td>
<td>0.18</td>
<td>0.14</td>
<td>50.1</td>
<td>0.001</td>
</tr>
<tr>
<td>Work Engagement</td>
<td>PCB 0.05</td>
<td>0.16</td>
<td>0.11</td>
<td>43.8</td>
<td>0.001</td>
</tr>
</tbody>
</table>
fied on five levels of education (0=Diploma, 1=Graduate, 2=Professional Graduate, 3=Postgraduate, 4= Professional postgraduate, and 5= Ph.D), employees who had earned a diploma, graduation or professional graduation degree were found to have different response to breach vis-à-vis those who had professional post-graduation, post-graduation, and a Ph.d degree. Hence the sample was divided into two groups – those with graduation and less than graduation degree and those with more than graduation degree. Similarly, although tenure was assessed across six levels, results revealed that there were only two groups with significant differences to perceptions of PCB. Thus employees with tenure of <5 and 5 years formed the first group while employees with tenure of >5 years were constituted as the second group for further study.

Tables 3 and 4 provide the results of hierarchical regression analyses that test the hypotheses for the moderating role of tenure and educational level between PCB-outcome relationships. PCB and tenure were significant predictors of affective commitment and work engagement (β = 0.29, p < 0.01; β = 0.16, p < 0.01 respectively) and the interaction variables (PCB* tenure) had significant influence on affective commitment adding 1 percent to the explained variance. However, tenure did not emerge as a moderator in case of work engagement. Thus, H2 is partially supported.

Table 3: Stepwise Multiple Regressions: Moderating Effect of Tenure

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>R²</th>
<th>ΔR²</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affective Commitment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCB</td>
<td>0.041</td>
<td>0.181</td>
<td>0.142</td>
<td>12.8</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.072</td>
<td>0.191</td>
<td>0.023</td>
<td>6.5</td>
</tr>
<tr>
<td>PCB*Tenure</td>
<td>0.293</td>
<td>0.141</td>
<td>0.015</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Work Engagement</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCB</td>
<td>0.038</td>
<td>0.161</td>
<td>0.021</td>
<td>14.6</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.230</td>
<td>0.001</td>
<td>0.051</td>
<td>12.5</td>
</tr>
<tr>
<td>PCB*Tenure</td>
<td>0.238</td>
<td>0.057</td>
<td>0.014</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Table 4 reports the results of hierarchical regression analyses used to test the hypotheses for the moderating effects of education level between PCB and two outcomes, affective commitment and work engagement. Education and PCB were also significant predictors of work engagement (β = 0.06, p < 0.05; β = 0.21, p < 0.01 respectively). When an interaction term (PCB* Education) was entered, the inter-

Table 4: Stepwise Multiple Regressions: Moderating Effect of Education

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>R²</th>
<th>ΔR²</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affective Commitment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCB</td>
<td>0.008</td>
<td>0.001</td>
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Figure 2: Moderating Role of Tenure on PCB- Affective Commitment Relationship

Figure 3: Moderating Role of Education on PCB Affective Commitment Relationship
DISCUSSION

Findings

Non-fulfilment of promised inducements is regarded as the transgression of psychological contract and triggers negative reactions from employees. When the organization is perceived to inadequately fulfil its commitments, employees view their social exchange with the organization as less valuable and reciprocate by decreasing their affective commitment to the organization and levels of work engagement as well.

Since psychological contract breach is a subjective concept (Rousseau, 1995), individual traits can exacerbate or buffer the negative effects of contract breach on outcome (Morrison & Robinson, 1997; Rousseau, 1995). The results of this study found moderating effects of education and tenure on PCB-Outcome relationship. Contrary to Bellou (2007), who found that employees with shorter tenure are less demanding of employment relationship, the results of this study suggests that the negative effects of PCB on employee’s affective commitment were stronger and more intense for employees with shorter tenure in the organization. This is in line with the social impact theory (Latane, 1981), which suggests that the extent of social influence that any individual has over others is a function of, among other factors, the proximity in time and space between the relevant parties, which has been labelled “immediacy.” The longer member remains in an organization, the more he/she gets attached to it and this continuity and long tenure in the organization dampens the intensity of employee’s negative reaction to incidences of breach. A possible reason for this could be that long tenured employees, are more likely to accommodate and interpret contract breach as a natural lapse which will be rectified over the course of time.

This study also found that education level of employees significantly influences their response to psychological contract breach. Employees with higher education respond more emotionally to their incidences of breach in terms of affective commitment and work engagement. These findings corroborate with the school of thought which suggests that employees with higher education tend to have greater expectations in terms of inducements from their organization (Bellou, 2009) and are also ‘less tolerant’ to procedural inadequacies (Fryxell, 1992; Nurse & Devonish, 2006). On the contrary, individuals who have been exposed to education to a lesser extent are willing to settle with organizational provisions, even if these are not in accordance with the commitments made, perhaps because they have lesser job alternatives.

Theoretical Contributions

The findings of this study significantly contribute in advancing the body of knowledge on psychological contract. In addition to confirming the more traditional outcomes associated with psychological contract breach such as affective commitment, the present study promisingly expanded the outcome variables of psychological contract to include work engagement. Further, numerous writers have implicated the role of demographic characteristics in influencing social dynamics. With few exceptions (e.g., Turnley & Feldman, 1999; Bellou, 2009, among others), to date, most of the research on psychological contracts has focused on direct effects of breach on organizational outcomes which has been recognized as a critical literature gap. By examining the moderating effects of employee tenure and educational levels, this study has unmasked some interesting findings in the PCB-Outcome relationship. This new conceptual framework offers a more sophisticated explanation of the link between PCB and employee attitudes in a novel geographical context.

Practical Implications

The results of this study suggests that much like their counterparts in the West, Indian employees perceive their psychological contracts to have been breached. The negative ramifications of PCB (e.g., lack of affective commitment and work engagement) challenge organizations not
to ignore the situation but to approach it proactively. Organizational agents (e.g., human resource staff, supervisors, and managers), particularly those responsible in the recruitment process, should exercise caution in conveying promises to the job applicants and clearly establish the parameters and conditions of employment during recruitment. In order to have a common interpretive framework, organizations can make realistic job previews (RJPs) an important part of their recruitment strategy. RJPs accurately depict the behaviours expected within the specific position on entry into the organization, lower grandiose expectations, thereby improving the fit between individua’s expectations and organizational ability (Ilgen & Seely, 1974). Organizations should also focus employee’s attention on the most important terms of the deal and promote a common frame of reference. By doing so, they would enable applicants to make a more informed choice about whether or not to accept an offer of employment (Wanous & Reichers, 2000), thus reducing the probability of unmet promises.

The results of this study also suggest that the desirable form of psychological contract differs based on membership in fundamental groups, namely tenure and level of education. Organizations should therefore be aware that employee work attitudes are influenced by the employee’s tenure as well as education level. The findings can be used as a basis to define and to execute HRM in organizations for highly-educated and low-tenured employees. Specifically, utmost care should be taken in living up to the promises conveyed implicitly or explicitly to employees with high educational background and those with short tenure in the firm. Companies and policy makers should frequently and candidly share organizational priorities with employees in this bracket and expose as many people to planning process as possible in order to give them a sense of understanding. Further, social accounts should be frequently offered by the organization and its agents to explain job-related decisions. Such communication could also serve to mitigate against employees decreasing their commitment to the organization and their efforts on its behalf (Rousseau & Tijoriwala,(.1999)

Limitations

Despite the strengths and new relevant results, this study has certain limitations. Since the results of this study are based on cross-sectional data, it is impossible to draw conclusion regarding causality. For example, employees who experience lower levels of engagement at work may perceive more contract breach. Longitudinal research is needed to examine the causal direction of relationships. Moreover, studies in future should examine the difference in perceptions of breach across individual dimensions - such as education and tenure, and other factors such as gender, job level, and age concomitantly. These are prospective directions and avenues for future research.

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