Psychological Contract and Employee Turnover Intention among Nigerian Employees in Private Organizations

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Abstract. The psychological contract is an important emerging area of human resource researchers and practitioners. Increasing recognition of the importance of human resources in enhancing organizational performance, coupled with wider concerns about reputation and competitions have made the issue of psychological contract of highly relevant to researchers and those managing organizations. This study is a response to the call for more study in the developing countries and non-western culturally based societies. Hence, the objective of the study is to examine the relationship between Psychological contract factors operationalized in terms of transactional, rational and balance psychological contracts and employee turnover intention in private sector organization in Nigeria. A structured questionnaire adapted and validated for this study was used to ascertain the responses of the respondents. A survey and cross sectional research design was used and self administered questionnaire with help of research assistant were used to collect the data from 280 samples. The analysis was conducted using SPSS, the major findings of the study indicated that transactional psychological contract has a strong positive significant relationship with turnover intention of employee in private organization in Nigeria. Also, the relational and balance psychological contracts dimensions were significantly related to turnover intention to leave a private organization. The owner/managers, regulatory agencies, government and other stakeholders will benefit from the findings, and future research suggestions were provided.

Keywords: Psychological contract; Relational; Transactional; Balanced; and Turnover intention.

1 Introduction

Psychological contract offers a framework for monitoring employee attitudes and priorities on those dimensions that can be of great influence on performance. Organizations that wish to succeed and realize their goal in an effective way have to get the best out of their human resource. In order to do this, employers have to know what employees expect from their employer. It is very important for organizations to understand and manage the expectations of their employees in order to fulfil the organization’s side of the contract (Festing & Schafer, 2014, 262). The idea behind psychological contract is that employees commonly feel obliged to contribute much more to their organization than defined tasks. Also organizations are seen to be obligated to offer more to employee than what they are rightly entitled to. Psychological contract may also involve additional organizational obligations such as protecting jobs by avoiding unnecessary cutting down of jobs, and offering career development opportunities for individual employee personal development.

Research has established that psychological contracts can be classified into many, such as transactional, relational and balanced contracts. Transactional contact can be explained as the kind of contract which contains terms of exchange given in monetary value (for example, employees may expect a bonus when they have achieved more than their expected target). Relational contract is that which constitutes the relationship between employee and the organization. This is normally developed
on non-monetary and socio-emotional factors based on trust and organizational commitment (Rousseau, 1990, 389). Balanced psychological contract has emerged recently and combine the open ended time frame and mutual concern of relational agreement with the performance demand and renegotiation of transactional contracts (Wangithi and Muceke, 2012, 117).

Employees’ turnover is now a cardinal issue in many organizations in Nigeria. This may be due to the fact that the nature of the work environment requires keeping and maintaining competent employees; recruiting and retaining these qualified workforce are major challenges of most organizations and these challenges may be as a result of competition, absence of satisfied level of job security and job satisfaction (Ojedokun, 2008, 204; Balogun & Olowodunoye, 2012, 81). In relation to psychological contracts management scholars have identified a number of socio-cognitive dimensions on which countries and individuals may vary in their belief and values (Kickul, Lester & Belgio, 2004, 229; Provijen, De-Cremer, Van Beest, Stahl, Van Dijke & Van Lange, 2008, 1303). There is strong need to test psychological contract across national cultures and other cross-national differences (Rousseau and Schalk, 2000, 621-551; Westwood, Sparrow & Leung, 2001, 622). It is suggested that differences in psychological contract can exist even within societies and also differences may exist at the industrial, organizational and individual level (Sels, Janssens, Van den Brande, & overlauet, 2000, 70).

Previous studies that examined the relationship between turnover intention and psychological contract are limited (Mc Innis, 2012). The studies of Raja, Johns and Ntalianis (2004, 350), Ulhaq, et al (2011, 7972) and Mc Innis (2012) are examples of the few studies that looked at the relationship between relational and transactional psychological contract. The outcomes of these studies show that relational psychological contract is negatively related with turnover intention, while the transactional psychological contract is positively related with turnover intention. Also, most of the previous research on psychological contract used composite measures of breach, failing to separate the dimensions of psychological contract (Conway & Briner, 2005, 267). They combine both transactional and relational aspects into a single element and thus cannot speak the relevance of various dimensions (Jensen, Opland & Ryan; 2010, 9148). In addition, the literature on balanced psychological contract in relation to the turnover intention has not been test empirically. Hence, there is a need to understand the effect of the relational, transactional and balance psychological contract attributes and turnover intention, particularly of Nigerian banks. In view of the research problem that are presented above, specifically in the Nigerian context as none of the existing studies to the knowledge of the researcher provide integration between psychological contract factors and turnover intention using Theory of reason action and Social exchange theory to provides an insight on how a breach psychological contract may lead to negative reaction of employee behavioral decision for turnover intention. Therefore, this study seeks to address the core research question: To what extent does psychological contract affect the turnover intention among Nigerian employees in private organizations?

2 Literature Review

2.1 Turnover Intention

There are many evidences in the literature that confirms the position that turnover intention is the best predictor of actual leaving and therefore can be used as proxy for turnover (Mosley, Horner, & Hollingsworth, 1978, 408-414; Motowildo & Lawton, 1984, 157-166; Lee & Mowday, 1987, 743; Griffeth, et al, 2000, 463; Cho & Lewis, 2012, 4). Mor Barak, Levin, Nissly and Lane (2006, 548) suggest that turnover intention is very significant not only as a predictor of actual turnover, but also as a pointer of employee that may not contribute to organization at their full potentials. It can also serve as an indicator of the degree of one’s psychological attachment to the organization (Zhao, et al, 2007, 647). Chang, Wang and Huang (2013, 20) proposed that when an organization has employees with
unrealized turnover intention, chances are high that such employees may resort to counterproductive activities such as absenteeism.

Turnover intention is expressed inter changeably in many forms in the literature, including the intention to quit, leave and turnover intention (Takase, 2010, 1553). Turnover intentions reflect the subjective tendency that an employee will leave his organization at certain future period (Zhao, et al, 2007, 650). It is a multi-stage process consisting of three components, which are psychological, cognitive and behavioral in nature (Takase, 2010, 1559). Intention to leave or turnover intention is defined as employees’ willingness or attempt to leave the current workplace voluntarily (Takase, 2010, 1562). Turnover intention is an employee’s inclination to leave his or her organization (Emberland & Rundmo, 2010, 453). It is also defined as the conscious and deliberate willfulness to leave an organization (Matz, Woo & Kim, 2014, 233).

2.2 Psychological Contract

Understanding the individual and organizational consequences of breach or violation of psychological contract justifies continuing research into the phenomenon. There are two major reasons why understanding the consequences of the breach or violation is very important. Firstly, organizations are better positioned to manage the expectations employees have and secondly, organizations can implement management practices that will minimize the effect on the organization of breach or violation of psychological contract (Cable, 2008). Empirical studies and evidence suggest that contract breach results to reduced psychological well-being (Conway, et al 2002, 79). However, organizational breach of psychological contract is associated with reduction in job satisfaction (Johnson & O’Leary-Kelly, 2003, 627; Smithson & Lewis, 2004,7972; Knights & Barbara, 2005, 57; Bal & Dorien, 2011, 497; Bukhari, Saeed & Nisar, 2011, 8393; Ul-Haq, Jam, Azeem, Ali, & Fatima, 2011, 7980; Conway, Guest, & Trenberth, 2011, 79). When organization breaks their obligation of psychological contract trust is affected negatively (Kingshott & Pecotich, 2007, 1053; Keth, 2011; Walker, 2013, 31). Failure to deliver obligations result to decrease of organizational commitment (Kingshott, et al, 2007, 1057; Battisti, Fraccaroli, Fasol & Depolo, 2007, 665; Cassar & Briner, 2011,283; Bukhari, et al, 2011,8390; Ul-Haq, et al, 2011,7988; Azim & Ahmad, 2011, 228; Lapointe, Vandenbergh & Boudrias, 2013, 1005; McCabe & Sambrook, 2013, 954). On the other hand when employee experienced breach of psychological contract or non-fulfillment of psychological contract their commitment to union or union activities normally increase (Bashir & Nasir, 2013, 61). Breach of psychological contract by organization lowers employees organizational citizenship behavior (Turnley, Bolino, Lester & Bloodgood, 2003, 187; Guest, 2004, 542; Restubug, Bodia & Tang, 2007, 376; Lub, Blomme, & Bal, 2011, 109). Also, previous research findings suggested that non-fulfillment of psychological contract is associated with counterproductive or deviant behavior and unethical behaviors by employees in workplace (Johnson et al, 2003, 627; Hill, Eckerd & Wilson, 2009, 281). In the same direction the study of Chill and Peng (2008, 230) explore the dimensions of deviant behavior in relation to psychological contract, the findings suggested that breach of psychological contract related positively to both interpersonal and organizational deviance. The study of Delcampo, Rogers and Jacobson (2010, 230) suggests that breach of psychological contract by employer is positively related to employee perception of discrimination in workplace.

2.3 Underpinning Theories

2.3.1 Social Exchange Theory

Social exchange theory provides an insight on how a breach of this kind of relationship as psychological contract may lead to negative reaction. Blau (1964) defines this type of exchange as the voluntary actions of individuals that are motivated by the returns they are expected to bring and
typically do in fact bring from others. Cropanzano and Mitchel (2005, 874) suggest that the parties involved act in a manner that both will reciprocate the actions of one another such as creating mutual obligation over time. If any of the party to the contract does not reciprocate, feeling of imbalance is created between the contributions of the parties involved. Therefore, in an employment relationship, when employees perceive that their employer fails to reciprocate their contribution. They are likely to respond through negative emotions such as frustration and anger. However, they can reduce the imbalance or restore the balance through reduction of organizational commitment, trust and other important behaviors and attitudes (Taylor & Tekleab, 2004, 585).

2.3.2 Theory of Reason Action

The theory of reasoned action as explained by Ajzen and Fishbein (1980) suggest that individuals use the information at their disposal in a rational mean to reach at behavioral decision. The process procedure is seen as been hierarchical; starting from beliefs, through attitude and social norms to intention and finally to behavior. To put it in a more appropriate way, the theory proposes that, a person’s behavioral intention to perform certain behavior is a very close determinant of the behavior (Lane, Mathews & Presholdt, 1988, 367). Based on the theory of reasoned action, employee turnover researches have focused on the relationship between the intention to quit the organization and actual turnover (Manager & Eikeland, 1990, 281).

3. Research Methodology

Cross sectional survey research design method was used; data were collected in 2015 from 280 MBA students (employees of private organizations) of Ahmadu Bello University, Nigeria. It involved gathering the data only once or at one point in time to meet the research objectives (Cavana, Dalahaye & Sekaran, 2001, 291).

3.1 Sampling Design, Techniques and Data Collection Strategy

The study unit of analysis was individual – male and female, population during the study were 1100 students who are employees of private and public organizations. The required sample size of 285 was computed according to Krejcie & Morgan, (1970). Probability sampling method and Simple random probability sampling technique was used for this research in drawing sample from both male and female student. In an attempt to get the completed questionnaire returned as quickly as possible, the data was collected through survey method using self-administered questionnaire approach. The survey method strategy was adopted because this study’s objectives are descriptive and explanatory (Babbie, 1990).

4 Research Finding and Discussions

4.1 Independent Variable – Psychological Contract Dimensions

Psychological contract was operationalised using three (3) dimensions: relational, transactional and balanced psychological contract. At inception the total 28 items measuring the psychological contract factors/dimensions were rated using a 4 points Likert scale ranging from '1= strongly disagree; 4= strongly agree. The responses of the Structured questionnaire consists of closed-ended questions was validated by expert in academics and industry, face and content validity were done, and four-point type rating scale was used, to ensure proper adaptation of the questionnaire before a full-scale study a pilot test was conducted and questionnaire items were analyzed using principal component analysis
(PCA) to check for the construct validity. A sample size of more than 350 requires a factor loading of 0.30 to assess statistical significance (Hair et al., 2010).

A total of 22 items were deleted from the items of psychological contract dimensions for various reasons, such as low communality value, low factor loading and cross loading less than 0.50. The correlation matrix revealed the presence of many coefficients of 0.3 and above and the Kaiser meyer-okin measure of sampling adequacy (KMO) value meet the recommended threshold value of 0.5 and the Bartlett’s test of sphericity reached statistical significance, supporting the factorability of the correlation matrix (Kaiser, 1970, 1974).

The PCA analysis revealed the presence of a component with eigen value exceeding 1, total variance explained 78.22% for relational, 78.75% for transactional factor and 78.62% for balance factor of psychological contract. The correlation matrix, Kaiser meyer-okin measure of sampling adequacy (KMO) value and the Bartlett’s test of sphericity reached statistical significance, supporting the factorability of the correlation matrix (Kaiser, 1970, 1974). The reliability coefficient measured by Cronbach’s alpha for the three dimensions of psychological contract relational, transactional and balance were 0.720, 0.733 and 0.811 respectively.

The first dimension of psychological contract relational factor was measured using 8 items scale reported in Rousseau (2000). The analysis extracted two items that includes: RPC1 - concern for my personal welfare and RPC2 - stable benefits for employees’ families with factor loading of 0.854 respectively.

Secondly transactional factor/dimension of psychological contract was measured with 8 items reported in Rousseau (2000). Two items were extracted from the analysis that includes TPC3 - a job only as long as the employer needs me and TPC4 - training me only for my current job each has a factor loading of 0.865.

Thirdly balance dimension of psychological contract was measured using 12 items scale reported in Rousseau (2000). The analysis extracted two items that includes: BPC8 - Support me to attain the highest possible level of performance and BPC5 - potential job opportunities outside the firm have a factor loadings of 0.879.

4.2 Dependent Variable – Turnover Intention

Turnover intention or intention to leave was measured using Moynihan and Pandey (2007) two (2) items scale were rated using a 4 points Likert scale ranging from ‘1= strongly disagree; 4= strongly agree. The responses of the questionnaire items were analyzed using principal component analysis (PCA) to check for the validity of turnover intention construct. The analysis extracted two items that includes: Tin2 - I often look for job opportunities outside this organization have a factor loading of 0.856. The correlation matrix revealed the presence of many coefficients of 0.3 and above and the Kaiser meyer-okin measure of sampling adequacy (KMO) value meet the recommended threshold value of 0.5 and the Bartlett’s test of sphericity reached statistical significance, supporting the factorability of the correlation matrix (Kaiser, 1970, 1974). The PCA analyses of turnover intention construct revealed the presence of a component with Eigen value exceeding 1 and total variance explained of 77.93%. The reliability coefficient measured by Cronbach’s alpha for turn over intention was 0.840.
4.3 Descriptive Statistics of the Variables

This section presents the descriptive statistics of the main variables for the study: Relational, Transactional, Balance dimensions of psychological contract and Turnover intention. The statistical information presented is the mean, standard deviation, minimum and maximum values. Table 4.1 shows the descriptive statistics for Relational factor of psychological contract. The means for Relational factor of psychological contract variables are relatively high between the range of 2.62 and 2.89. This indicates that overall, most of the respondent that participated in this study has good perception of Relational factor of psychological contract. Overall Relational factor of psychological contract mean is 2.75 with a standard deviation of .615.

Table 4.1: Descriptive Statistics for Relational factor of psychological contract

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPC1</td>
<td>1.00</td>
<td>4.00</td>
<td>2.89</td>
<td>.609</td>
</tr>
<tr>
<td>RPC2</td>
<td>1.00</td>
<td>4.00</td>
<td>2.62</td>
<td>.781</td>
</tr>
<tr>
<td>Overall Relational</td>
<td>1.00</td>
<td>4.00</td>
<td>2.75</td>
<td>.615</td>
</tr>
</tbody>
</table>

Developed for this study

Table 4.2 shows the descriptive statistics for Transactional factor of psychological contract. The overall mean on the variable is 1.93 with a minimum score of 1.00 and maximum score of 4.00 and a standard deviation of .706. The result indicated the level of transactional factor of psychological contract.

Table 4.2: Descriptive Statistics for Transactional dimension of Psychological contract

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>TPC3</td>
<td>1.00</td>
<td>4.00</td>
<td>2.08</td>
<td>.866</td>
</tr>
<tr>
<td>TPC4</td>
<td>1.00</td>
<td>4.00</td>
<td>1.79</td>
<td>.739</td>
</tr>
<tr>
<td>Overall Transactional</td>
<td>1.00</td>
<td>4.00</td>
<td>1.93</td>
<td>.706</td>
</tr>
</tbody>
</table>

Developed for this study

Table 4.3 shows the descriptive statistics for Balance factor of psychological contract. The overall mean on the variable is 2.97 with a minimum score of 1.00 and maximum score of 4.00 and a standard deviation of .635. The result indicated the level of balance factor of psychological contract.

Table 4.3: Descriptive Statistics for Balance Dimension of Psychological contract

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPC8</td>
<td>1.00</td>
<td>4.00</td>
<td>2.94</td>
<td>.736</td>
</tr>
<tr>
<td>BPC5</td>
<td>1.00</td>
<td>4.00</td>
<td>3.00</td>
<td>.706</td>
</tr>
<tr>
<td>Overall Balance</td>
<td>1.00</td>
<td>4.00</td>
<td>2.97</td>
<td>.635</td>
</tr>
</tbody>
</table>

Developed for this study

Table 4.4 present the descriptive statistics for turnover intention. The overall mean on the variable is 3.22 with a minimum score of 1.05 maximum score of 4.00 and a standard deviation of .642. The result indicated the respondents’ level of turnover intention to leave.
Table 4.4: Descriptive Statistics for Turnover Intention to leave

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIN 1</td>
<td>1.00</td>
<td>4.00</td>
<td>3.09</td>
<td>.902</td>
</tr>
<tr>
<td>TIN 2</td>
<td>1.00</td>
<td>3.00</td>
<td>5.15</td>
<td>.629</td>
</tr>
<tr>
<td>Overall Turnover Intention</td>
<td>1.00</td>
<td>4.00</td>
<td>3.22</td>
<td>.642</td>
</tr>
</tbody>
</table>

Developed for this study

4.4 Test of Hypothesis

The relationship between psychological contract factors and turnover intention were tested using Pearson correlation analysis. Table 4.5 shows the overall results of inter-correlation between the variables that are statistically significant at p<.05 and 95% confidence level. The strongest positive correlation was the relationship between transactional and turnover intention. Pearson's correlation analysis indicated that r=0.321, P = 0.000 significant at 0.01 level (2-tailed). The second significant correlation was the relationship between rational psychological contract and turnover intention at r=-.226, P = 0.000 and the least strong significant correlation was the balanced psychological contract relationship with employee turnover intention at r=-.241, P= 0.000 at .01 level (2-tailed). Therefore, the research hypotheses were supported. The findings of the is in line with studies conducted by Raja et al (2004), Ulhaq et al (2011) and Mc Innis (2012).

Table 4.5: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Relational</th>
<th>Transactional</th>
<th>Balanced</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional</td>
<td>-.129*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced</td>
<td>.311**</td>
<td>-.322**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>-.226**</td>
<td>.321**</td>
<td>-.241**</td>
<td>1</td>
</tr>
</tbody>
</table>

*, Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

5 Conclusions and Limitations

In the current study all the three predicted hypotheses were supported. As predicted, the relational, transactional and balanced psychological contracts have significant relationship with employee turnover intention. Therefore, the result suggests that as employee perceived that relational, transactional and balanced contract are not met, so their turnover intention increase as predicted by psychological contract theory. One of the major limitations of this study lies with the scope and methodology of the study, because data were collected from employee’s of banks only. Therefore, this study finding cannot be generalized to all organization in private setting. Like any other social science researches, another important limitation of this study was the used of cross-sectional data rather than longitudinal data and the current study findings cannot be generalized to other countries in Africa, as the study was conducted in Nigeria. It has been established in the literature that studies on psychological contract and organizational justice are affected by the culture of a society. Despite its limitations, the research contributed significantly to the literature of psychological contract and turnover intention. This was achieved by providing insight to the situation in the Nigerian work environment.
6 Suggestion for Future Study

This study provides a platform for psychological contract and turnover intention studies especially in Nigerian context. Future research should examine other relevant variable found to be important in previous organizational studies. Also, future research could expand the scope of the research in order to improve the generalization of the result. The survey and cross sectional research design was used in this study. Thus, qualitative research design and longitudinal study are recommended for future study.

References


