

REACTIONS OF TEMPORARY EMPLOYEES TO PSYCHOLOGICAL CONTRACT BREACH

Ezaz Ahmed, Central Queensland University, Rockhampton, Queensland, Australia
Brian D'Netto, Charles Sturt University, Albury, Australia

ABSTRACT

The employment relationship with temporary employees is often poorly managed. Employers assume that these employees have only short term transactional psychological contracts. Adopting a 'psychological contract perspective', a qualitative study was conducted to examine the attitudinal and behavioral reactions when the promise of permanent employment to temporary employees was not fulfilled. Results of our qualitative study indicated that temporary employees experienced negative affective reactions (i.e., sadness, depression and betrayal) and adverse behavioral outcomes (i.e., poor performance). The implications of psychological contract breach are discussed.

Keywords: temporary employees, psychological contract breach, employee status.

1. INTRODUCTION

The use of temporary employment in organizations has increased significantly in the last two decades in Europe, USA, Canada and Asia (De Cuyper et al., 2008). Research on temporary employees has focused on the benefits of using temporary employees, and in particular, a comparison of permanent and temporary employees' attitudes and performance. However, researchers have not focused on how well the employment relationship between temporary employees and employers is managed.

Organizational researchers have found that involuntary temporary employment affects work behaviors, attitudes, and performance (Connelly & Gallagher, 2004; De Cuyper et al., 2008). Past research has also indicated that most temporary employees directly recruited by the organization wanted to become permanent employees in the organization (De Cuyper & De Witte, 2007; Hardy & Walker, 2003). Yet there is a lack of research on the perception of temporary employees towards the organization, job performance and job attitudes when this desire to become permanent does not occur.

To fill this gap in the literature we investigated the consequences of continued involuntary temporary status, even when the organization may have promised permanent status after a period of temporary employment. In this study, we adopted a psychological contract perspective to assess temporary employees' reactions when their job status is not made permanent and they continue to work on temporary employment contracts.

2. LITERATURE REVIEW

Psychological contract has been defined as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (Rousseau, 1989). The basic nature of the contract is "reciprocal obligation" as the employees expect to receive benefits in exchange for their contribution to the organization.

Psychological contract is perceptual, dynamic and evolving in nature as employees understand and interpret their employment relationships in their own way (Rousseau, 1995). "Promise" is an important part of the contract as some of the employee's expectations are formally or informally confirmed by the organization. As such, employees may have numerous expectations from their employers but only a part of those may actually be promised by the organization.

Robinson (1996) stated that "only those expectations which emanate from perceived implicit or explicit promises by the employer are part of the psychological contract" (p. 575). Two types of psychological contracts have been widely accepted by organizational researchers. These are transactional and

relational contracts (Rousseau, 1990, 1995). Transactional psychological relationship is based on the economic transactions between the employee and the employer on the basis of performance, while relational psychological relationship is based on the social exchange between the two parties (Robinson, Kraatz, & Rousseau, 1994a; Rousseau, 1989, 1990).

Transactional psychological contracts are characterized as short-term, narrow in scope, static and defined mainly in economic terms. In contrast, relational psychological contracts are characterized as long term, broad in scope, dynamic and defined in both economic and non-economic terms. Empirical studies have shown that relational contracts, which are long term and broad (Morrison & Robinson, 1997), have a positive impact on the employees' job commitment and their feeling of belonging to the organization (Rousseau, 1990).

Temporary employees are believed to have explicitly defined transactional contracts rather than relational psychological contracts with their organizations (Connelly et al., 2004; Coyle-Shapiro & Kessler, 2000; Guest, 2004a; Guest, 2004b; McDonald & Makin, 2000; Rousseau, 1995; Rousseau & Wade-Benzoni, 1995). Organizational researchers have also suggested that psychological contract of temporary employees have short and finite time frames, narrower in scope and are less dynamic (Chambel & Alcover, 2011; Connelly et al., 2004; Coyle-Shapiro et al., 2000; McDonald et al., 2000; McLean Parks, Kidder, & Gallagher, 1998). However, Chambel and Castanheira (2006) found that temporary employees, who are directly hired by the organization, develop similar relational psychological contracts as permanent employees, when these temporary employees want to become permanent in the organization.

Psychological contract breach is related to a range of undesirable employee attitudes and behaviours. For example, psychological contract breach is negatively related to employee's trust in management (Deery, Iverson, & Walsh, 2006; Robinson, 1996; Robinson & Rousseau, 1994; Zhao, Wayne, Glibkowski, & Bravo, 2007), job satisfaction (Gakovic & Tetrick, 2003; Johnson & O'Leary-Kelly, 2003), intention to remain with the organization (Kickul et al., 2002; Lo & Aryee, 2003), employee performance (Johnson & O'Leary-Kelly, 2003), citizenship behaviors (Coyle-Shapiro, 2002; Johnson & O'Leary-Kelly, 2003), civic virtue behaviour (Chambel & Alcover, 2011) and employee commitment (Johnson & O'Leary-Kelly, 2003; Lester et al., 2002) and positively related to workplace deviant behaviours (Bordia, Restubog, & Tang, 2008; Kickul, 2001; Restubog et al., 2007), employees' neglect of job duties (Turnley & Feldman, 1998, 1999, 2000), job burnout (Chambel & Oliveira-Cruz, 2010), employee's cynicism about their employer (Johnson & O'Leary-Kelly, 2003), higher absenteeism (Deery et al., 2006) and revenge cognitions (Ahmed, Bordia, & Restubog, 2007; Bordia et al., 2008). Kickul and her colleagues (Kickul, 2001; Kickul et al., 2001a; Kickul et al., 2001b; Kickul & Zaper, 2000) suggested that psychological contract breach leads to decreased employee commitment, increased workplace deviant behaviors, reduced citizenship behaviors and increased intentions to leave the organization.

Turnley et al. (1998, 1999, 2000) suggested that psychological contract breach is negatively related to loyalty and positively related to exit, voice and neglect of the job. A recent study revealed that perception of psychological contract breach can lead to higher employee absenteeism (Deery et al., 2006).

3. METHODS

We conducted our study in a large commercial bank in Bangladesh, a country in South Asia with a population of just over 150 million. About 35 million Bangladeshis live in extreme poverty (World Bank, 2012). In this environment, a permanent bank job is the dream of every temporary employee. In order to attract good employees, banks in Bangladesh promise permanent employment on completion of a prescribed temporary period of two years.

Thus, temporary employees form a psychological contract in which a permanent job is the reward for successful completion of the prescribed temporary period of service. The interview participants were 31 temporary employees (28 male, 3 female) in the bank.

These individuals had to continue working temporary employees, even though they had successfully completed the initial two year temporary period. The average age of interviewees was 28.62 years and

their average employment tenure with the bank was 2.3 years. A semi structured interview protocol was used in the interview study. There were two parts of the interview protocol. In Part 1, demographic information of the participants was collected. In Part 2, questions were asked to reveal how the employees perceive, feel and react after a psychological contract breach.

Firstly, questions were included to explore the perception, types and forms of the employee's psychological contract breach (e.g. *"Has your employer ever failed to keep promises which were made to you?, "What were those promises?"*). Secondly, questions were included to know the employee's feelings in the event of a psychological contract breach (e.g. *"How did you feel when the organization broke its promises or obligations?"*). Then, questions were asked to know how the employee's behavior and job performance changed after the psychological contract breach (e.g. *"What were your reactions to the broken promises of the organization?"*). Finally, an open ended question was asked to the participants to ascertain if there were any other related issues they would like to discuss.

3.1 Data Analysis

In order to examine the qualitative data, a thematic analysis was conducted following the procedure outlined by (Braun & Clarke, 2006). Thematic analysis is defined as *"a method for identifying, analysing and reporting patterns (themes) within data"* (Braun et al., 2006), p. 79). In the present study, thematic analysis was used as it organizes and describes the data in full detail (Braun et al., 2006). The following steps were followed to analyse the interview data.

Firstly, a comprehensive review of all interview transcripts was conducted. Interviewees' answers to the questions were listed as separate items. Secondly, through organizing the items into meaningful groups (Tuckett, 2005), items were categorized to reveal themes. Finally, categories with similar ideas were combined. Through this process, several themes emerged for perceptions, feelings of contract violation, performance, and participants' behavioral consequences after a psychological contract breach.

An independent management expert, who was not associated with the research also coded the interview responses to cross check the validity of the findings. After discussion over the coding and analysis of the interviews, the researcher and independent management expert came to a consensus on the revealed themes.

4. RESULTS

4.1 Perception of Psychological Contract Breach

When asked about temporary employee's psychological contract breach, most of the temporary employees (n = 29) perceived that the organization did not fulfill its promised job status to them. e.g. *"I was supposed to get promotion after two years which was promised during my job interview... but I did not get the promotion even when I performed really well"* (organization). In relation to job status, two sub themes were identified by the participants (i) **Reneging**: Participants felt that the organization intentionally failed to make their job status permanent. Some of the participants (n=7) perceived that the organization deliberately changed their policy, rules and regulations to avoid fulfilling their promises to the temporary employees about their job status with the organization. e.g. *"The bank randomly changes their policies about the employee reward and permanency without even letting the employees know about it and to some extent, they change the policy whenever they have to make employees permanent"*. (ii) **Job benefits**: Interview participants (n= 13) perceived that they were unable to obtain benefits as a result of their temporary status.

They also perceive that the organization has broken promises to avoid providing them job benefits. e.g. *"I was told by my manager that we may have to work extra hours to backup files etc. and we will be paid extra and we can also have preferential holidays sometimes, but whenever we approached the manager for these benefits, we were told that our job is not permanent here and those benefits are only for the permanent employees"*. Job benefits are related to employees' job status in the organization. In

Bangladesh, given the paucity of good jobs, a permanent job status is highly desirable as compared to temporary status. Job benefits include financial and non-financial benefits to the employees, such as remuneration, promotion, guidance and training. Remuneration refers to all the financial benefits that are provided to the employees. This can be in the form of salary, yearly bonuses, health care, vacation and other financial benefits related to the job. Promotion is referred to a higher position that is offered to the employees based on performance criteria.

In the context of the financial sector in which the interviews were conducted, guidance and support of the supervisors and training are essential for the participants to enhance their career in the banking sector. It is clear that these temporary employees had developed long term relational psychological contracts with the bank.

4.2 Feelings of Violation

The analysis indicated that temporary employees' affective responses as a consequence of psychological contract breach can be classified under **employee feelings**. Two-thirds of the employees (n=22) felt sad, depressed and betrayed after the psychological contract breach. Employees' trust in management and psychological contract breach are negatively related (Robinson, 1996).

In the present study, temporary employees felt betrayed or developed mistrust with their organization after a psychological contract breach. It is important to note that mistrust among the employees is related to a range of undesirable employee attitudes and behaviors (Robinson, 1996). As one interviewee stated: *"I felt bad, sad and betrayed as my performance has never been compromised. But the bank did not make my job permanent nor give me any other reward"*.

The findings of this study are consistent with the previous conceptualizations and empirical research on psychological contract breach and employees' responses. Previous research also demonstrated that employees feel injustice, anger, resentment, bitterness, sadness, and outrage when there is a perceived psychological contract violation (Morrison et al., 1997; Robinson et al., 1994b). Kickul (2001) in an empirical study asserted that employees experience feelings of anger, frustration, hostility and disappointment in the event of a psychological contract breach. Prior research has also shown that psychological contract violation has a negative impact on employees' work attitudes and behaviors (Lester et al., 2002). As a result of psychological contract breach, employees mistrust the management of the organization (Robinson, 1996). Mistrust among the employees is related to a range of undesirable employee attitudes and behaviors (Robinson, 1996).

4.3 Employee Outcomes

As a consequence of psychological contract breach, temporary employees demonstrate lower job performance, higher intention to leave the organization and higher job neglect. (i) **Job performance:** Many of the respondents (n=15) have reported that they performed poorly after a psychological contract breach. e.g., *"My performance was down initially because of the broken promises"*.

The present findings are consistent with previous research as temporary employees have lower job performance after a psychological contract breach. Organizational researchers have found that perception of psychological contract breach is directly related to the employee's performance, behaviors and attitudes towards the organization. Previous studies have revealed that psychological contract breach is positively related to employees' decreased in-role and extra-role work behaviors (Robinson et al., 1995; Turnley et al., 2003). Our analysis also found that temporary employees (n=15) continued to perform well after the psychological contract breach.

Interviewees felt that they had to retain their job in order to "maintain their families and livelihood. e.g., *"I remained as a good performer with the hope to get permanency soon" (prove capability); "I do not feel like coming to the office anymore but what to do. I have family to manage and my wife is very sick sometimes" (family/ livelihood).* (ii) **Intention to leave the organization:** Most of the employees wanted to leave the organization because of the psychological contract breach (n=28). Some of them (n=4) even

thought of changing their career because of the breach. Approximately fifty percent of the respondents (n=14) considered their job experience and age to be deterrent factors in seeking another job in banking or in any other career. The current findings are consistent with previous research of psychological contract breach and employees' intention to leave the organization (Turnley et al., 1998, 1999, 2000). After a psychological contract breach, employees want to leave the organization, especially if they expect more injustice in the future. Another aspect of the current findings is the obstacles which make it difficult for employees to leave the organization.

As the interviews reveal, temporary employees view their insufficient banking experiences and their age as obstacles to find another job or to change their career. Participants in the current study provided a range of perspectives on the barriers affecting their intention to leave the organization. e.g., *"I am thinking about switching banks, but cannot move to other bank as I have to restart there if I move now"* (intent to leave); *"If I am not made permanent with the organization, I may think about quitting my banking career and may switch careers"* (career); *"I wanted to leave the bank but as it is my first job, I was unable to change banks with only a year's experience"* (experience); *"At my age, I will be not able to get another banking job"* (age). (iii)

Job neglect. Because of the breach, many respondents (n=13) intentionally neglected their jobs. Some of the participants (n=10) were reported to be deliberately avoiding office work and not putting enough effort into their jobs. e.g. *"I intentionally came late to the office several times, thinking that nothing will happen even if I perform really well"* (effort). The findings of the current research are consistent with the previous studies on psychological contract breach and employees' job neglect.

Organizational researchers have suggested employees tend to reduce their in-role job efforts after a psychological contract breach (Lester et al., 2002). As such, temporary employees reduce their initiative to perform their jobs and intentionally reduce job effort in the event of a psychological contract breach.

5. DISCUSSION

There is no doubt that temporary employees play an important role in different business sectors of the economy. The main focus of this research was to assess how temporary employees react when their job status is not made permanent by the organization. We used a psychological contract breach perspective to assess temporary employees' reactions when their job status is not made permanent.

We found that temporary employees, who seek permanency, develop long term relational psychological contracts with their employer. Thus, the breach of a relational psychological contract has severe and continuing consequences, as these employees continued to work for the bank for extended periods.

The results of our study indicated that temporary employees blame the organization for not making their job status permanent. We found that employees experience feelings of betrayal which leads to decreased job performance and increases intention to leave and job neglect. Our findings are in consonance with previous research where higher perceptions of psychological contract breach are related to lower organizational citizenship behaviors towards individual employees and the organization (Turnley et al., 2003; Turnley et al., 1999), higher intentions to leave the organization (Raja et al., 2004; Turnley et al., 1998, 1999, 2000) and higher employee job neglect (Lester et al., 2002; Robinson, 1996; Robinson et al., 1994b).

There are some limitations of the current study. First, the study was limited to the temporary employees directly hired by the organization. Thus, the results of the study cannot be generalized to all types of temporary employees because of the existence of different types of temporary employees in the literature (on call workers, agency workers, casual workers etc) (Guest, 2004a; Guest, 2004b).

Second, data for the study were collected only from the banking sector. The result may vary in other sectors. Third, the study was conducted only in Bangladesh. Hence, the generalizability of the results of our studies to other countries will have to be done with caution.

Our study has contributed to the existing literature by explaining the consequences of continued involuntary temporary status within an organization. However, the results of our study also suggest future research directions. First, there has been less research on the behavior, attitude, and performance of temporary employees employed directly by organizations than through recruitment agencies (Connelly et al., 2004; Guest, 2004a; Guest, 2004b).

More research is needed on temporary employees directly employed by the organization. Second, future research should also consider conducting similar studies in different industries to assess if there is any difference among the responses of temporary employees. Third, to increase the generalizability of the findings, future researchers can replicate our study in other countries.

REFERENCES:

- Ahmed, E., Bordia, P., & Restubog, S. L. D. 2007. ***Revenge Seeking and Forgiveness: Employees' Cognitive Responses After a Psychological Contract Breach***. Paper presented at the 9th South Asian Management Forum, Dhaka, Bangladesh.
- Bordia, P., Restubog, S. L., & Tang, R. L. 2008. When employees strike back: investigating mediating mechanisms between psychological contract breach and workplace deviance. ***Journal of Applied Psychology***, 93(5): 1104-1117.
- Braun, V., & Clarke, V. 2006. Using thematic analysis in psychology. ***Qualitative research in psychology***, 3(2): 77-101.
- Burgess, J., & Connell, J. 2006. Temporary work and human resources management: issues, challenges and responses. ***Personnel Review***, 35(2): 129-140.
- Chambel, M. J., & Alcover, C. M. 2011. The psychological contract of call-centre workers: Employment conditions, satisfaction and civic virtue behaviours. ***Economic and Industrial Democracy***, 32(1): 115.
- Chambel, M. J., & Castanheira, F. 2006. Different temporary work status, different behaviors in organization. ***Journal of Business and Psychology***, 20(3): 351-367.
- Chambel, M. J., & Castanheira, F. 2007. They don't want to be temporaries: similarities between temps and core workers. ***Journal of Organizational Behavior***, 28(8).
- Chambel, M. J., & Oliveira-Cruz, F. 2010. Breach of psychological contract and the development of burnout and engagement: A longitudinal study among soldiers on a peace-keeping mission. ***Military Psychology***, 22: 110-127
- Connelly, C. E., & Gallagher, D. G. 2004. Emerging Trends in Contingent Work Research. ***Journal of Management***, 30(6): 959.
- Coyle-Shapiro, J. A. M., & Kessler, I. 2000. Consequences of the psychological contract for the employment relationship: A large scale survey. ***Journal of Management Studies***, 37(7): 903-930.
- Coyle-Shapiro, J. A. M., & Kessler, I. 2002. Exploring reciprocity through the lens of the psychological contract: Employee and employer perspectives. ***European Journal of Work and Organizational Psychology***, 11(1): 69-86.
- De Cuyper, N., De Jong, J., De Witte, H., Isaksson, K., Rigotti, T., & Schalk, R. 2008. Literature review of theory and research on the psychological impact of temporary employment: Towards a conceptual model. ***International Journal of Management Reviews***, 10(1): 25-51.
- Deery, S. J., Iverson, R. D., & Walsh, J. T. 2006. Toward a better understanding of psychological contract breach: a study of customer service employees. ***Journal of Applied Psychology***, 91(1): 166-175.
- Guest, D. 2004a. Flexible employment contracts, the psychological contract and employee outcomes: an analysis and review of the evidence. ***International Journal of Management Reviews***, 5(1): 1-19.
- Guest, D. E. 2004b. The psychology of the employment relationship: an analysis based on the psychological contract. ***Applied Psychology***, 53(4): 541-555.
- Hardy, D. J., & Walker, R. J. 2003. Temporary but seeking permanence: a study of New Zealand temps. ***Leadership & Organization Development Journal***, 24(3): 141-152.

- Johnson, J. L., & O'Leary-Kelly, A. M. 2003. The effects of psychological contract breach and organizational cynicism: not all social exchange violations are created equal. *Journal of Organizational Behavior*, 24(5): 627-647.
- Kickul, J. 2001. Promises made, promises broken: an exploration of employee attraction and retention practices in small business. *Journal of Small Business Management*, 39: 320-335.
- Kickul, J., & Lester, S. W. 2001a. Broken Promises: Equity Sensitivity as a Moderator Between Psychological Contract Breach and Employee Attitudes and Behavior. *Journal of Business and Psychology*, 16(2): 191-217.
- Kickul, J., Lester, S. W., & Finkl, J. 2002. Promise breaking during radical organizational change: do justice interventions make a difference? *Journal of Organizational Behavior*, 23(4): 469-488.
- Kickul, J., Neuman, G., Parker, C., & Finkl, J. 2001b. Settling the Score: The Role of Organizational Justice in the Relationship Between Psychological Contract Breach and Anticitizen Behavior. *Employee Responsibilities and Rights Journal*, 13(2): 77-93.
- Kickul, J., & Zaper, J. 2000. Untying the knot: So personal and organizational determinants influence entrepreneurial intention? *Journal of Small Business and Entrepreneurship*, 15(3): 57-77.
- Lester, S. W., Turnley, W. H., Bloodgood, J. M., & Bolino, M. C. 2002. Not seeing eye to eye: differences in supervisor and subordinate perceptions of and attributions for psychological contract breach. *Journal of Organizational Behavior*, 23(1): 39-56.
- Lo, S., & Aryee, S. 2003. Psychological Contract Breach in a Chinese Context: An Integrative Approach. *Journal of Management Studies*, 40(4): 1005-1020.
- McDonald, D. J., & Makin, P. J. 2000. The psychological contract, organisational commitment and job satisfaction of temporary staff. *Leadership & Organization Development Journal*, 21(2): 84-91.
- Morrison, E. W., & Robinson, S. L. 1997. When Employees Feel Betrayed: A Model of How Psychological Contract Violation Develops. *The Academy of Management Review*, 22(1): 226-256.
- Raja, U., Johns, G., & Ntalianis, F. 2004. The impact of personality on psychological contracts. *The Academy of Management Journal*, 47(3): 350-367.
- Restubog, S. L. D., & Bordia, P. 2006. Workplace Familism and Psychological Contract Breach in the Philippines. *Applied Psychology*, 55(4): 563.
- Robinson, S. L. 1996. Trust and Breach of the Psychological Contract. *Administrative Science Quarterly*, 41(4): 574-599.
- Robinson, S. L., Kraatz, M. S., & Rousseau, D. M. 1994a. Changing obligations and the psychological contract: a longitudinal study. *The Academy of Management Journal*, 37: 137-152.
- Robinson, S. L., & Rousseau, D. M. 1994b. Violating the psychological contract: not the exception but the norm. *Journal of Organizational Behavior*, 15: 245-259.
- Rousseau, D. M. 1989. Psychological and implied contracts in organizations. *Employee Responsibilities and Rights Journal*, 2: 121-139.
- Rousseau, D. M. 1990. New hire perceptions of their own and their employer's obligations: a study of psychological contracts. *Journal of Organizational Behavior*, 11: 389-400.
- Rousseau, D. M. 1995. *Psychological contracts in organizations: Understanding written and unwritten agreements*. Thousand Oaks, CA: Sage.
- Rousseau, D. M., & Wade-Benzoni, K. A. 1995. Changing individual-organization attachments: a two-way street. *The Changing Nature of Work, Jossey-Bass, San Francisco, CA*: 290-321.
- Tuckett, A. G. 2005. Applying thematic analysis theory to practice: A researcher's experience. *Contemporary Nurse*, 19(1-2): 74-87.
- Turnley, W. H., Bolino, M. C., Lester, S. W., & Bloodgood, J. M. 2003. The impact of psychological contract fulfilment on the performance of in-role and organizational citizenship behaviors. *Journal of Management*, 29: 187-206.
- Turnley, W. H., & Feldman, D. C. 1998. Psychological contract violations during corporate restructuring. *Human Resource Management*, 37(1): 71-83.
- Turnley, W. H., & Feldman, D. C. 1999. The impact of psychological contract violations on exit, voice, loyalty and neglect. *Human Relations*, 52: 895-922.
- Turnley, W. H., & Feldman, D. C. 2000. Re-examining the effects of psychological contract violations: unmet expectations and job dissatisfaction as mediators. *Journal of Organizational Behavior*, 21(1): 25-42.
- World Bank (2012). <http://www.worldbank.org/en/news/2012/07/27/saved-brink-disaster-Bangladesh>.

Zhao, H. A. O., Wayne, S. J., Glibkowski, B. C., & Bravo, J. 2007. The impact of psychological contract breach on work related outcomes: a meta analysis. *Personnel Psychology*, 60(3): 647 - 680.

AUTHOR PROFILES:

Dr Ezaz Ahmed obtained his PhD from the University of South Australia. He is a Lecturer at Central Queensland University in Australia.

Professor **Brian D'Netto** obtained his PhD from the State University of New York at Buffalo, USA. He is working at Charles Sturt University in Australia.