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**THE EMPLOYMENT RELATIONSHIP IN THE UK PUBLIC SECTOR: A  
PSYCHOLOGICAL CONTRACT PERSPECTIVE**

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# **THE EMPLOYMENT RELATIONSHIP IN THE UK PUBLIC SECTOR: A PSYCHOLOGICAL CONTRACT PERSPECTIVE**

## **ABSTRACT**

The management of public servants has assumed increasing importance as public service organizations are confronted with a rise in the demand for high quality services in the context of limited resources. Much of the research on the treatment of public servants has focused on the notion of public service motivation and whether the motives of public servants differ from those of private sector employees. However, the organization's need to harness positive employee attitudes and behaviors as a means of coping with the pressures on public service delivery encourages a focus on the factors influencing these attitudes and behaviors within the sector. We address this issue by drawing upon a psychological contract framework, which captures employee perceptions of the reciprocal exchange between him/her and his/her employer. This study investigates the relationship between the psychological contract and two outcomes: organizational commitment and organizational citizenship behavior using survey responses from five thousand seven hundred and nine employees. The results support the underlying proposition that public sector employees reciprocate the treatment they receive from their employer. Consequently, we argue that the psychological contract framework has some value in enhancing our understanding of public servant attitudes and behavior. The implications of our findings for the management of public servants are discussed. We suggest that future research integrate individual predispositions and situational factors to provide a more comprehensive understanding of public servants' attitudes and behavior.

The pressures facing public service organizations in many countries have encouraged a growing interest amongst policy makers and practitioners in the way in which public service employees are managed. As constraints on available resources confront calls for ‘better quality’ services, the attitudes, skills and behaviors of public servants have assumed increasing importance as a means of ensuring ‘higher’ levels of organizational performance. This importance derives not least from the fact that many such services, for instance, in the fields of education, health and social care, take the form of personal services delivered directly by employees.

To date, our understanding of the employment relationship in the public service sector has advanced along two main paths. The first has focused on human resource management systems and practices (Mesch, Perry, and Recascino Wise 1995; Kessler, Coyle-Shapiro and, Purcell 2000), assuming its most developed form in the work of Kneedler Donahue, Coleman Selden and Ingraham (2000). They suggest and indeed find some support for the proposition that the human resource management capacity of city governments in the US, reflected in the sophistication of systems related to workforce planning, hiring and reward, has a powerful effect on HR outcomes and, in combination with other management capacities, government performance.

The second path has revolved around employee disposition and orientation, primarily captured by the notion of public service motivation. This notion, most extensively developed by Perry (1997), is based on the assumption that the motives of public servants are distinctive and, more specifically, rooted in an attraction to policy making, commitment to the public interest, compassion and self sacrifice. The research agenda derived from this concern with public service motivation has in large part focused on establishing distinctiveness. Thus, a

number of studies have compared public and private sector employee perceptions of work and employment, confirming some significant differences in outlook particularly in the area of rewards with the public servants rating intrinsic rewards more highly than their private sector counterparts.

However, this focus on public-private sector distinctiveness has perhaps deflected attention from how motives might vary *amongst* public service employees and the consequences of such differences for employee workplace attitudes and behaviors. Crewson (1997), in particular, has highlighted the need to take forward research in public service motivation in these terms. Indeed, his work has established a relationship between variation in the orientation of public servants to different types of reward and employee commitment to the public service agency.

This paper seeks to further develop our understanding of differences in the orientation and motives of public servants and how these might impact on various organizational outcomes. As a means of doing so, it draws on a conceptual framework revolving around the notion of the psychological contract, which is seen as lying at the heart of the employer-employee exchange relationship. This notion captures the individual's belief regarding terms and conditions of a reciprocal exchange agreement between that person and another party (Rousseau 1989). This framework has figured prominently in mainstream management literature and research but assumed less prominence in the public administration literature. More specifically, the paper examines the consequences of an individual's psychological contract on his/her commitment to the organization and organizational citizenship behavior. The former has been previously used in a public sector (Crewson, 1997; Young, Worchel, and Woehr 1998) while the latter has been alluded to (Perry 2000) but rarely been utilized explicitly in this context.

Recent pressures on a highly institutionalized system for the regulation of the employment relationship in the UK public services provide an important context for understanding developments in the employee-employer exchange. We first look at these pressures and then introduce the concept of the psychological contract.

## **CONTEXTUAL CHANGES AND THE PSYCHOLOGICAL CONTRACT**

Essential to an understanding of employee attitudes and behaviors in the public services is a consideration of context. As Perry (2000) and Perry and Porter (1982) have stressed, context needs to include not only work environment and job characteristics, central to traditional models of motivation, but broader institutional features. These features are associated with an organization's internal belief, value and incentive systems, as well as with external institutional characteristics related to, for instance, more generalized social and political norms.

In Britain, staff orientations to work in the public services have been heavily influenced by the general structure and operation of service provision and a highly institutionalized system of employment regulation, which has flowed from and supported them. Thus, for much of the post 1945 period, a political consensus on the value of a wide range of public services was reflected in a recognition that such services should be 'well' resourced and freely available through integrated 'in-house' public service providers on the basis of clear rules and procedures. This consensus was underpinned by a national approach to employment relations which generated standard terms and conditions for staff based on transparent criteria linked to employee seniority and internal job worth. Pay levels were not particularly high relative to the private sector but were compensated for by job security, generous benefits and guaranteed career paths.

This consensus was shattered with the election of the right wing Thatcher Government in 1979 committed to reducing the range of State sponsored activities and increasing the efficiency of remaining public services through a heightened managerialism. In the succeeding twenty years, this approach was pursued by the introduction of market forces into the sector, the break-up of integrated public service providers and the devolution of operational responsibilities to these providers in the context of tighter financial control and a battery of organizational performance measures and targets. These broader changes had a profound effect on the regulation of the employment relationship. In structural terms, the national system of employment regulation fragmented in important respects, allowing for greater variation in terms and conditions of employment and the introduction of new criteria in pay determination such as individual performance (Local Authority Conditions of Services Advisory Board 1994). In substantive terms, pay levels became depressed as public service organizations sought to reduce labor costs in the more competitive environment (Escott and Whitfield 1995) while job security was compromised by the growing use of precarious forms of employment such as temporary and fixed term contract working (Hegewisch 1999).

As a means of understanding the impact of these changes on the attitudes and behaviors of public servants we utilize the psychological contract (Rousseau 1989) as a broad explanatory framework for understanding the employment relationship (Shore and Tetrick 1994). As previously indicated, the notion of the psychological contract is designed to capture employee beliefs regarding the mutual obligations that exist in the context of the employee-employer relationship and serves important functions for the two parties to the exchange (Shore and Tetrick 1994). Research on the psychological contract has borrowed MacNeil's (1985) typology of contracts as a way of categorizing psychological contracts. Transactional contracts refer to specific, monetizable exchanges over a limited period of



time. In operationalizing transactional obligations in the context of the psychological contract, the following have been included: rapid advancement, high pay and merit pay (Robinson, Kraatz, and Rousseau 1994). Relational obligations, in contrast, have included long-term job security, career development, training and development opportunities and support with personal problems (Robinson, Kraatz, and Rousseau 1994). Rousseau (1990) proposes that transactional and relational components denote opposite ends of a continuum that correspond to economic and social exchange. However, the factor analytic evidence suggests that the contract terms cannot be consistently categorized as either transactional or relational (Rousseau and Tijorawala 1998) and employment relationships may contain elements of both (Arnold 1996).

Although the definition of the psychological contract has evolved from its initial conceptualization (Roehling 1996), its underlying explanatory framework has remained steadfast. A central element of the psychological contract is the norm of reciprocity that requires employees to respond positively to favorable treatment from their employer (Rousseau and McLean Parks 1993). According to Gouldner (1960), the norm of reciprocity is universal in its demands; that is, individuals should help and not injure those who have helped them. The basic tenet of the reciprocity thesis is that the need to reciprocate is universal yet contingent upon the receipt of benefits. In the context of exchange relationships, individuals may reciprocate employer treatment by enhancing their attitudes and/or engaging in organizationally supportive behaviors.

Eisenberger and colleagues (1986) have an alternative framework for examining exchange relationships. Drawing on the norm of reciprocity to explain the consequences of perceived employer commitment to exchanges with employees, they operationalize this commitment through perceived organizational support (POS). They define POS as employee

beliefs about “the extent to which the organization values their contributions and cares about their well-being” (p.501). High levels of POS fulfill the socioemotional needs of employees and create an obligation to repay the organization. Empirical evidence suggests that the fulfillment of socio-emotional needs creates an obligation to reciprocate and this can take the form of organizational commitment (Eisenberger, Fasolo, and Davis-LaMastro 1990; Guzzo, Noonan, and Elron 1994) and organizational citizenship behavior (Moorman, Blakely, and Niehoff 1998; Wayne, Shore, and Liden 1997).

In the present study, organizational commitment and organizational citizenship behavior were selected as the focal dependent variables for the following reasons. First, employees purportedly view organizational commitment and organizational citizenship behavior as acceptable commodities for exchange (Settoon, Bennett, and Liden 1996). Second, these variables have been demonstrated as salient with regard to a variety of exchange relationships (Eisenberger, Fasolo and Davis-LaMastro 1990; Moorman 1991; Organ and Konovsky 1989; Shore and Wayne, 1993). Researchers have suggested that reciprocity is a mechanism underlying commitment (Angle and Perry 1983; Scholl 1981) and employees will offer their commitment to the organization in reciprocation for the organization having fulfilled its psychological contract (Angle and Perry 1983; Robinson, Kraatz, and Rousseau 1994). Similarly, citizenship behavior has been viewed as a social resource that may be exchanged by individuals who have been the recipients of social rewards (Konovsky and Pugh 1994; Moorman, 1991).

Organ (1988) defines OCB as a ‘*readiness to contribute beyond literal contractual obligations*’ (p. 22). As this type of behavior is not formally recognized by the organization’s reward system, employees can exercise discretion in terms of engaging in or withholding OCB. Therefore, a basic premise of the theory is that employees will engage in

OCB to reciprocate the organization for fair treatment and withhold it should the organization fail to provide adequate inducements (Organ 1990). As the psychological contract focuses on the employee-employer exchange, the category of OCB of most relevance is that which is directed at the organization rather than behavior directed at colleagues or supervisors (Robinson and Wolfe Morrison 1995). Finally, research has demonstrated a positive relationship between organizational commitment, OCB and a number of dimensions of organizational performance. Specifically, Ostroff (1992) empirically demonstrates a positive relationship between teachers' affective commitment and school performance while other research supports a positive relationship between OCB and group/organizational performance (Podsakoff, Ahearne, and MacKenzie 1997; Podsakoff and MacKenzie 1994)

Empirical evidence to date suggests that the psychological contract is applicable across cultures and a broad range of working relationships (Janssens, Overlaet, Sels, and Van den Brande 1998; Kabanoff, Jimmieson and Lewis 1998; Morishima 1998; Van Dyne and Ang 1998). In addition, Farmer and Fedor (1999) empirically demonstrated the relationship between perceived contract fulfillment and participation amongst employees in a nonprofit fundraising health advocacy organization. The authors assert that *“the psychological contract processes seem to operate in a broad variety of contexts, peoples and working relationships, and the basic exchange processes... are similar”* (p.351). While the empirical evidence suggests that the psychological contract would be appropriate to understanding the attitudes and behavior of public sector employees, this has not been subject to empirical examination. We explore this through the following two hypotheses:

Hypothesis 1: Perceptions of psychological contract fulfillment will be positively associated with employees' reported organizational commitment.

Hypothesis 2: Perceptions of psychological contract fulfillment will be positively associated with employees' reported citizenship behavior

## **METHODS**

### **Organizational Setting**

The research was carried out in a local authority in the South East of England. Centered on a relatively affluent part of the country, the authority was responsible for the provision of a wide range of public services including education, social services, highways maintenance, home care for the elderly and fire fighting. Following a period of political and financial stability and indeed relative economic well being throughout the 1980s, the authority was subject of range of pressures and difficulties in the succeeding decade. These included a period of political uncertainty as the ruling party on the council lost overall control, an economic crisis with a looming financial deficit and a pressing need to respond to performance measures imposed by central government. The authority's response to these combined pressures saw a fairly radical change in the general structure and operation of the council as well as in the more specific management of employment relationship. A small number of integrated service-providing departments regulated by established administrative procedures were broken up into myriad of almost 900 quasi-autonomous business units driven by internal market mechanisms. Moreover, the authority was one of the few authorities, which chose to opt out of national terms and conditions for its manual and white-collar staff developing its own pay and grading system.

### **Procedure and Sample**

The data used in this study consisted of a self-administered postal survey. Of the 23,000 questionnaires, approximately 6,953 responded yielding a response rate of 30%. The

overall respondent sample was found to be representative of the total employee group under investigation along a number of key demographic characteristics including gender, age, organizational tenure, work status, salary band and departmental composition (Appendix 1). The sample is confined to employees (managers were excluded) who work on a part time or full time basis and returned fully completed questionnaires (n=5709). Of the respondent sample, 82.5% were female and 41.8% union members. The mean age of the sample was 42.4 years with a mean organizational and job tenure of 7.6 years and 5.9 years respectively. 48.3% of respondents were employed on a full time basis. 48.3% of respondents earned less than £10,000, 36.7% between £10-20,000, 14.5% between £20-30,000 and 0.4% earning above £30,000. The composition of the sample in occupational groupings is as follows: 25.4% teachers, 3.7% fire-fighters, 5.6% social workers, 1.2% engineers, 8.5% other professionals, 21.1% administrative/clerical, 2.4% technicians, 5.4% manual/craft and the remaining fell into the 'other' category.

## **Measures**

### Independent variables

At present, there is no widely accepted measure of contract fulfillment/breach. Some researchers operationalize contract breach as a discrepancy between what is promised and what is delivered (Robinson 1996). Other researchers ask respondents to report directly on the extent to which the employer has fulfilled its obligations (Craig and Tetrick 2001; Robinson and Morrison 1995; Tekleab and Taylor 2000; Turnley and Feldman 1999). Consistent with Robinson and Morrison (2000), we adopt the latter approach and explicitly ask respondents to report the degree to which they perceive their employer as fulfilling its obligations to them.

Perceived psychological contract fulfillment. The degree of psychological contract fulfillment was measured with a multiplicative measure developed for this study. Respondents were asked to indicate the extent to which they believed their employer has fulfilled its obligations along a five point scale ranging from ‘not at all’ to ‘very well fulfilled’ (in addition to a ‘not owed’ category). These nine items tapped typical dimensions of the employment relationship investigated in previous research (Rousseau 1990) and included long term job security, good career prospects, interesting work, involvement in decision making, support to learn new skills, pay increases to maintain standard of living, fair pay in comparison to employees doing similar work in other organizations, fair pay for responsibilities in the job and fringe benefits that are comparable to employees doing similar work in other organizations. We substituted the following of Rousseau’s items: high pay and pay based on current level of performance for items relating to fairness of pay and benefits to ensure appropriateness for the public sector. Previous research suggests that some terms of the psychological contract may be of greater importance to specific employees and consequently should be weighted more heavily than others (Robinson 1996). Consequently, employees were asked to indicate how important they felt it was for the employer to provide the same list of obligations along a 7-point scale ranging from ‘not at all important’ to ‘extremely important’.

To create an overall measure of contract fulfillment, we multiply each individual item by its corresponding importance. Therefore, an item that was highly fulfilled and of great importance would have greater weighting than an item that was poorly fulfilled and of less importance. This method of calculating contract fulfillment is consistent with that used in other psychological contract research (Turnley and Feldman 1999).

Perceived Organizational Support. POS was measured with seven items from the Survey of Perceived Organizational Support (SPOS) (Eisenberger et al. 1986). As this study was conducted prior to the publication of the short form of the SPOS (Eisenberger, Cummings, Armeli, and Lynch 1997), we adopted the same procedure as Rhoades, Eisenberger and Armeli (2000) in selecting items that had factor loadings of between .74 and .84 in the original version of the scale. We substituted the term “organization” with “employer” to ensure consistency with the measurement of the psychological contract. Respondents indicated the extent of their agreement with each item on a 7-point Likert scale (1=strongly disagree, 7=strongly agree). The mean score of the items was used to create the scale.

#### Dependent variables

Organizational commitment. Organizational commitment was measured using a scale developed by Cook and Wall (1980) in addition to two items from Meyer and Allen’s (1984) scale. Organizational commitment was measured using six items from the nine-item scale developed by Cook and Wall (1980) for use in samples of blue-collar employees in the UK. The development of the scale draws upon the work of Buchanan (1974) and Porter, Steers, Mowday and Boullian (1974) whereby commitment is viewed as comprising three interrelated components: identification, involvement and loyalty. Respondents indicated the extent of their agreement with each item on a 7-point Likert scale (1=strongly disagree, 7=strongly agree). The scale was created by taking the mean score of the eight items.

Organizational citizenship behavior. Citizenship behavior was measured with six items assessing behavior directed at the organization adapted from Podsakoff, MacKenzie, Moorman and Fetter (1990) and Van Dyne, Graham and Dienesch (1994). Respondents indicated the extent of their agreement with each item on a 7-point Likert scale (1=strongly

disagree, 7=strongly agree). The mean score of the six items was used to create the overall scale.

## **Analysis**

Hierarchical regression analysis was used to test the hypotheses. Prior research has demonstrated that attitudes and behaviors at work can be influenced by demographic characteristics (Mowday, Porter, and Steers 1982). Therefore, we included five demographic variables (age, gender, work status, job and organizational tenure) to reduce the possibility of spurious relationships based on these types of personal characteristics. These variables were entered in step 1 of the equation alongside perceived organizational support. We control for perceived organizational support as it has been used to explain organizational commitment (Rhoades, Armeli, and Eisenberger 2000) and OCB (Coyle-Shapiro, Kessler, and Purcell 1999; Moorman, Blakely, and Niehoff 1998) as ways employees can reciprocate the treatment they receive from the organization. By entering the psychological contract variables in a subsequent step to perceived organizational support factors, this allows us to examine the unique, if any, contribution made by psychological contract fulfillment to explaining variance in organizational commitment and organizational citizenship behavior.

## **RESULTS**

The independent variables were factor analyzed (principal components with varimax rotation) and the results (Table 1) support the factorial independence of perceived organizational support, transactional and relational psychological contract fulfillment (in factor analyzing the psychological contract items, we used the contract fulfillment item multiplied by its importance). As a way of assessing the construct validity of our contract fulfillment measures, we examined how it correlated with another measure purportedly used to capture the same phenomenon; that is, a discrepancy measure of transactional and



relational breach without weighting for importance. The transactional contract fulfillment is reasonably correlated with transactional breach (-.52); relational contract fulfillment is correlated with relational breach (-.40). Although the correlation is not perfect, it does provide support for the construct validity of our measure.

The two dependent variables, organizational commitment and OCB were factor analyzed (principal components, varimax rotation) and the results (Appendix 2) support the factorial independence of the two constructs<sup>1</sup>. Table 2 presents the means, standard deviations, intercorrelations and reliabilities of the scales. The standard deviations of the main study variables ranged from .84 to 5.64 suggesting that none of the measures are marked by excessive restrictive in range. The intercorrelations between the main study variables range from .05 to .42 suggesting that multicollinearity is not a significant issue. The Cronbach's alphas for each scale (.73-.94) are judged to be good (Hair, Anderson, Tatham, and Black 1992).

Hypothesis 1 predicted that psychological contract fulfillment would be positively associated with organizational commitment. As Table 3 shows, transactional contract fulfillment ( $\beta=.17, p<.01$ ) and relational contract fulfillment ( $\beta=.08, p<.01$ ) explain additional variance in organizational commitment over and above that accounted for by the variables entered in step 1 ( $\Delta R^2= .04, \Delta F 130.67, p<.01$ ). However, it should be noted that the strongest predictor of organizational commitment (as evidenced by the beta coefficients) is perceived organizational support. Hypothesis 2 receives partial support from our data. Relational contract fulfillment is positively associated with OCB ( $\beta= .39, p< .01$ ) while

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<sup>1</sup> The same factors and factor loadings emerged using oblimin rotation.

transactional contract fulfillment has a negative association ( $\beta = -.11, p < .01$ ) explaining unique variance in OCB ( $\Delta R^2 = .11, \Delta F 337.57, p < .01$ )<sup>2</sup>.

## **DISCUSSION**

This study examined the consequences of perceived psychological contract fulfillment on the attitudes and behavior of a diverse sample of public sector employees. The modest variances explained (.17 and .20) suggest that the variables investigated fall short of providing a comprehensive explanation for the variance in organizational commitment and OCB but is comparable to that explained by other psychological contract research (Robinson and Wolfe Morrison 1995; Millward and Hopkins 1998; Turnley and Feldman 1999) and is consistent with the amount of variance explained in public sector motivation by Perry (1997). Overall, the results indicate that the psychological contract provides a useful basis to examining how public sector employees reciprocate employer treatment.

Our findings support the view that the norm of reciprocity underlies the development of an employee's commitment to the organization. By fulfilling obligations relating to, for example, pay, job security, career development, employers are creating a need for employees to reciprocate and this can take the form of attitudinal reciprocity through enhanced commitment. However, the basis of employee reciprocity does not rely exclusively with the fulfillment of employer obligations. As Eisenberger et al. (1986) argue, perceived organizational support meets important socio-emotional needs in the workplace and creates an obligation on the part of the recipient to reciprocate. For this group of public sector

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<sup>2</sup> We conducted the same regression analysis using a different method of calculating transactional and relational contract fulfillment. First, we weighted the individual items by their factor loadings in computing the mean for the transactional and relational contract fulfillment scale. The beta coefficients for transactional contract fulfillment were ( $\beta = .16$  and  $-.11$ ) for organizational commitment and OCB respectively while the beta coefficients for relational contract fulfillment were ( $\beta = .08$  and  $.39$ ). Second, we took the mean score of transactional and relational fulfillment and multiplied it by its respective importance mean. The beta coefficients

employees, their evaluation of the extent to which their employer is fulfilling needs of approval, affiliation and esteem is reciprocated through enhanced commitment to the organization.

As public sector employees may share a common set of values with the organization, they may be more willing to overlook the extent to which their psychological contract has been fulfilled but may be sensitive to feelings that the organization is supportive. It might be argued that for many public servants a desire to undertake work of social worth has always been a more important driver of career choice than economic gain and tangible benefits (Warner, Van Riper, Martin, and Orvis 1963; Kilpatrick, Cummings, and Jennings 1964). Social worth, as a form of reward, lies partly in the intrinsic nature of the work undertaken but it is also related to some broader acknowledgement by stakeholders in the service of the value of the work undertaken. Acknowledgement of the employees' worth by the employing organization is likely to be viewed as particularly important to public servants. If employees' own employer fails to recognize such worth then what chance is there that the rest of society will?

The pattern of results differs for OCB in two ways. First, while perceived organizational support is important for the development of organizational commitment, it does not play a crucial role in explaining why employees engage in OCB. Rather, it is the fulfillment of obligations relating to issues such as job security and career development that leads employees to go beyond their contractual obligations and engage in OCB. This finding is consistent with existing empirical evidence supporting the positive relationship between

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for transactional and relational contract fulfilment were ( $\beta = .18$  and  $-.11$ ) and ( $\beta = .09$  and  $.33$ ) respectively for organizational commitment and OCB.

relational contract fulfillment and civic virtue behavior (Robinson and Wolfe Morrison 1995).

However, the negative effect of transactional contract fulfillment on OCB is contrary to our hypothesis. In addition, it deviates from other empirical research demonstrating the absence of a relationship between transactional contract fulfillment and OCB (Robinson and Wolfe Morrison 1995). This finding suggests that individuals who feel that the employer is fulfilling salient transactional obligations may be adopting an instrumental approach to the relationship which involves a narrow focus of the relationship which does not involve going beyond contractual obligations. Alternatively, the direction of the relationship maybe reversed; by engaging in OCB, individuals are more likely to view the exchange relationship as unfair. Organ (1990) posits that individuals who engage in OCB over time may begin to experience distributive injustice. If employees in our sample view citizenship behavior as in-role rather than discretionary, then it is more likely that such behaviors may be linked to extrinsic rewards (Organ 1988; Puffer 1987). If this reflects what is happening in this case, that is, employees are defining OCB as being in-role, then it is plausible that the direction of influence is contrary to our hypothesis. In other words, engaging in citizenship behavior as part of in-role work behavior may lead employees to perceive the employer as fulfilling their psychological contract to a lesser degree. As employees may not have the discretion to choose to engage in citizenship behavior based on defining it as in-role, one avenue for employees to redress the situation is to adjust their perception of the degree to which the employer is fulfilling its promises.

Although our findings highlight that treatment by the employer does influence employee attitudes and behavior, additional factors that are particularistic to the public sector may also be important to consider. First, the nature of service provision and the character of

service delivery may constrain the ability and willingness of public servants to match the behavior of their employer. Thus, employee responses to such behavior may well be inhibited by displacement affects with any reaction running the risk of affecting vulnerable service users in the form of the young, the elderly, the disabled and the deprived rather than simply the employer. As already implied, forces such as a commitment to delivering public services, often captured by the notion of the public service ethos, may constitute an additional means for understanding the attitudes and behavior of public sector employees. This commitment directs attention to those aspects of the psychological contract, which relate to the employees' ability to provide a meaningful and effective service to the public. Indeed, the public servant may well be prepared to forego or trade-off more substantial monetary rewards for non-monetary rewards in the form a socially valued and intrinsically worthwhile activity.

Extending this focus on a commitment to public service provision, our understanding of the behavior of public sector employees could further benefit from the inclusion of a communal relationship perspective. Our study concentrated exclusively on the employee-employer relationship as one based on exchange whereby benefits received by employees creates an obligation on their part to reciprocate. In contrast, viewing the employee-employer relationship from a communal perspective recognizes that employees may be driven by another motive; that is, giving benefits to the organization (e.g., engaging in citizenship behavior) may be driven by a concern for the welfare of the organization which does not create an obligation that the benefit will be reciprocated in the future (Clark and Mills 1979). For public sector employees, their behavior may be contingent upon how well they feel they have been treated by their employer as well as their concern for the public sector organization they work for.

## **Limitations and future research**

As with the majority of studies, the design of the current study is subject to limitations. First, our sample was from one UK public sector organization and this setting may be unique enough to limit the external validity of our findings. However, important similarities in the nature of work and employment across local government and indeed the shared pressures faced by local authorities would suggest that our findings would apply across the sector. Second, the study is correlational in nature and consequently the results cannot indicate causality. Research that assesses the influence of the psychological contract over time would provide additional and stronger support. Third, all the variables were measured with self-report survey measures. Consequently, the observed relationships may have been artificially inflated as a result of respondents' tendencies to respond in a consistent manner. However, more recent meta-analytic research on the percept-percept inflation issue indicates that while this problem continues to be commonly cited, the magnitude of the inflation of relationships may be over-estimated (Crampton and Wagner 1994). As for our reliance on self-ratings of OCB, Putka and Vancouver (2000) note that the use of supervisory ratings may present a different problem. The authors argue that although supervisors may be the best source of the results of subordinate behavior, they may only occasionally be aware of their subordinates actual work behavior. Furthermore, there is more evidence of a halo effect in supervisory ratings than self-ratings (Lance, LaPointe, and Stewart 1994). Finally, we did not explicitly capture the degree to which individuals accept the norm of reciprocity and this is likely to influence the extent to which they attempt to match the behavior of their employer.

Future research could pursue several lines of investigation in an attempt to integrate independent strands of research to more fully understand the basis of public service behavior.

Historically, the extent to which behavior is determined by situational factors or dispositional forces has been much debated. The interactional perspective subscribes to the view that it is the interaction between a person and a situation that is key to understanding the effects of dispositional tendencies. Thus, how a person interprets a situation is a function of individual predispositions. Public service motivation (PSM) as an individual predisposition may influence the value an individual places on different aspects of the psychological contract as well as how individuals subsequently react to psychological contract breach or fulfillment. Overall, an interactional perspective would serve to integrate research on individual predispositions (PSM) and situational factors (psychological contract) as a more complete basis to understanding public servants' attitudes and behavior.

Perry (1997) suggests that an important issue to be explored is organizational influences on PSM as well as its consequences on individual outcomes. The first provides the opportunity to assess the effect of the organization's treatment (in terms of fulfilling employees' psychological contracts) on PSM. Researchers could adopt a longitudinal research design in examining how organizational treatment can subsequently influence an individual's PSM. This would permit an examination of the extent of change that occurs in PSM as a result of an individual's experience with the organization. Second, PSM may influence the type of relationship an individual seeks with the organization and also how individuals respond to perceived contract fulfillment. Individuals with a stronger PSM may develop relationships with their employer based on communal norms rather than the norm of reciprocity and consequently may be less likely to attempt to match their behavior with that of their employer. In other words, PSM may moderate the effects of psychological contract fulfillment on attitudinal and behavioral outcomes in such a way that the relationship

between the psychological contract and outcomes may be stronger for employees who have weaker PSM.

## **CONCLUSIONS**

The psychological contract offers an additional means of understanding the attitudes and behaviors of public service employees. Indeed, in circumstances where the performance of the public service organization crucially depends on the direct service of its employees, this understanding provides a basis for a normative re-evaluation of how public servants might be managed in more efficient and effective ways. Thus, it suggests that if public service employers can be seen to fulfill their obligations to staff the attitudinal and behavioral 'pay-offs' can be significant with, by implication, positive consequences for the quality of service provision. Of course, the perceived fulfillment of these obligations is far from being an unproblematic process. Given the pressures faced by public service organizations, not least in terms of limited resources, the ability to meet employee expectations remains constrained. At the same time, it is equally clear that the cost of addressing employee expectations need not be high. The fulfillment of relational obligations and more generally the provision of support for employees may be a low cost way of eliciting desired attitudes and behaviors. It is here that our work re-joins the broader debate on public service motivation. The distinctive motives of public servants can clearly be linked to the emphasis they give intrinsic rewards or to the relational and supportive dimensions of the psychological contract. In a period of increasing managerialism in the public services, often based on an increased reliance on private sector practices, the challenge for public sector practitioners and policy makers is to recognize this distinctiveness and seek to preserve and nurture it as a route to handling the pressures they face.





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**TABLE 1**  
**Results of factor analysis of independent variables**

Items	Factor		
	1	2	3
<b>Perceived Organizational Support</b>			
My employer really cares about my well-being	<b>.89</b>	.10	.14
My employer values my contribution to its well being	<b>.87</b>	.11	.16
My employer cares about my opinions a	<b>.86</b>	.11	.18
My employer strongly considers my goals and values	<b>.85</b>	.11	.22
My employer cares about my general satisfaction at work	<b>.84</b>	.15	.17
My employer is willing to help me when I need a special favor	<b>.80</b>	.11	.09
My employer shows very little concern for me Ψ	<b>.77</b>	.08	.12
<b>Transactional contract fulfillment</b>			
Fair pay compared to employees doing similar work in other organizations	.09	<b>.85</b>	.16
Fair pay for the responsibilities I have in my job	.15	<b>.84</b>	.14
Pay increases to maintain my standard of living	.10	<b>.79</b>	.20
Fringe benefits that are fair compared to what employees doing similar work in other organizations get	.12	<b>.74</b>	.10
<b>Relational contract fulfillment</b>			
Interesting work	.04	.01	<b>.73</b>
Good career prospects	.13	.28	<b>.68</b>
Support when I want to learn new skills	.26	.14	<b>.66</b>
Involvement in decision making that affects me	.39	.10	<b>.63</b>
Long term job security	.08	.17	<b>.57</b>
Eigenvalue for rotated factors	5.26	2.82	2.43
Percent variance for rotated factors	32.9	17.6	15.2

Ψ Reversed scored

**TABLE 2**  
**Descriptive statistics and intercorrelations of main study variables**

	Mean	S.D	1	2	3	4	5	6	7	8	9	10
<b>1. Gender</b>	0.77	(0.42)										
<b>2. Age</b>	43.4	(9.69)	.01									
<b>3. Work Status</b>	0.57	(0.49)	-.36	-.16								
<b>4. Job Tenure</b>	6.32	(5.96)	-.15	.34	.09							
<b>5. Organizational tenure</b>	9.36	(8.21)	-.16	.43	.17	.63						
<b>6. Perceived Organizational Support</b>	3.99	(1.41)	.11	-.02	-.13	-.08	-.10	(.94)				
<b>7. Transactional Contract Fulfillment</b>	15.84	(5.64)	.03	.01	.01	-.01	.02	.25	(.89)			
<b>8. Relational Contract Fulfillment</b>	18.73	(5.06)	.05	.02	.11	.05	.07	.42	.36	(.73)		
<b>9. Organizational Commitment</b>	4.23	(1.15)	-.04	.13	-.03	.00	.03	.34	.27	.26	(.89)	
<b>10. Organizational Citizenship Behavior</b>	5.19	(0.84)	-.02	.05	.21	.00	.08	.17	.05	.39	.21	(.74)

Correlations >.05 are statistically significant at  $p < .01$ .

**TABLE 3**  
**Results of hierarchical regression analyses<sup>a</sup>**

Predictor	<i>Organizational Commitment</i>		<i>Organizational Citizenship Behavior</i>	
	Step 1	Step 2	Step 1	Step 2
Step 1:				
Gender (0=M/1=F)	-.08**	-.09**	.05**	.02
Age	.14**	.14**	.08**	.08**
Work status (1=F/T, 0=P/T)	.02	.00	.25**	.19**
Job tenure	-.06**	-.05**	-.08**	-.09**
Organizational tenure	.03	.00	.08**	.05**
Perceived organizational support	.34**	.26**	.20**	.06**
Step 2				
Transactional fulfillment		.17**		-.11**
Relational fulfillment		.08**		.39**
F	154.14**	151.26**	101.92**	179.89**
Change in F	151.24**	130.67**	100.72**	377.57**
Change in R <sup>2</sup>	.14	.04	.10	.11
Adjusted R <sup>2</sup>	.13	.17	.09	.20
N	5709	5709	5709	5709

\*\*p<.01

<sup>a</sup> Standardized regression coefficients are reported

Note: The regressions were re-run on a 25% and a 10% random sample and yielded the same results (R<sup>2</sup> for Organizational commitment and OCB are .16 and .18 respectively for N=1440 and R<sup>2</sup> for Organizational commitment and OCB are .14 and .20 respectively for N=570). For the 25% random sample, transactional contract fulfillment ( $\beta=.16$ ,  $p<.01$ ,  $\beta=-.08$ ,  $p<.01$ ) and relational contract fulfillment ( $\beta=.06$ ,  $p<.05$ ,  $\beta=.36$ ,  $p<.01$ ) were significantly related to organizational commitment and OCB respectively. For the 10% random sample, transactional contract fulfillment ( $\beta=.15$ ,  $p<.01$ ,  $\beta=-.15$ ,  $p<.01$ ) and relational contract fulfillment ( $\beta=.05$ ,  $p<.05$ ,  $\beta=.39$ ,  $p<.01$ ) were related to organizational commitment and OCB respectively.

**Appendix 1**  
**Comparison of respondent sample to overall employees**

Sample Characteristics	Respondent Sample (%)	Overall employee sample (%)
<b>Gender</b>		
Male	22.5	18.8
Female	77.5	81.2
<b>Age</b>		
<21	1.0	1.2
21-30	12.9	12.1
31-40	24.6	24.1
41-50	42	36.5
51+	20.4	26.1
<b>Organizational Tenure</b>		
<5 years	53.5	52.8
6-10 years	20	25.4
11-15 years	7.1	9.4
16-20 years	5.5	5.8
21+ years	13.9	6.6
<b>Work Status</b>		
Full-time	42.9	41.6
Part-time	56	52.4
Casual/Occasional $\psi$	1.1	6.0
<b>Salary Band</b>		
< £10,000	39.4	36.6
£10-20,000	33.6	36.2
£20-30,000	22.7	24.5
£30-40,000	3.5	2.3
£40-50,000	0.6	0.3
£50,000+	0.2	0.1
<b>Departmental Composition</b>		
Education Services	52	61
Social Services	21	20.5
Planning	1.3	0.7
Libraries & Leisure	5.7	2.4
Highways & Transportation	4.1	1.9
Commercial Services	5.5	7.0
Business Services	1.6	0.9
Other Corporate Services	2.8	1.9
Fire & Rescue	5.3	3.5
Trading Standards	0.8	0.3

$\psi$  Excluded from regression analysis

**Appendix 2**  
**Results of factor analysis of dependent variables**

Items	Factor	
	1	2
<b>Organizational Commitment</b>		
I feel a strong sense of belonging to ____	<b>.86</b>	.05
I feel like 'part of the family' at ____	<b>.81</b>	.03
I feel myself to be part of ____	<b>.81</b>	.04
I am quite proud to tell people I work for ____	<b>.77</b>	.05
In my work, I like to feel I am making some effort not just for myself but for ____ as well	<b>.75</b>	.09
I would recommend a close friend to join ____	<b>.73</b>	.05
I am willing to put myself out to help ____	<b>.73</b>	.21
To know that my own work had made a contribution to the good of ____ would please me	<b>.68</b>	.12
The offer of a bit more money with another employer would not seriously make me think of changing my job Ω	<b>.38</b>	.05
<b>Organizational Citizenship Behavior</b>		
I frequently make suggestions to improve the work of my team/department	-.03	<b>.78</b>
I often put forward ideas and suggestions to improve the service to users	.00	<b>.76</b>
Part of my job is to think of better ways of doing things	.09	<b>.68</b>
I always do more than is actually required	.00	<b>.61</b>
I participate in activities that are not required but that help the image of my organization	.14	<b>.58</b>
I keep up with developments that are happening in my organization	.18	<b>.50</b>
Eigenvalue for rotated factors	4.94	2.28
Percent variance for rotated factors	35.3	16.3

Ω Item dropped  
\_\_\_\_ name of organization