



Jacqueline A-M. Coyle-Shapiro and Ian Kessler

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**EXPLORING RECIPROCITY THROUGH THE LENS OF THE PSYCHOLOGICAL
CONTRACT: EMPLOYEE AND EMPLOYER PERSPECTIVES**

Jacqueline A-M. Coyle-Shapiro
Industrial Relations
London School of Economics and Political Science
Houghton Street
London WC2A 2AE
j.a.coyle-shapiro@lse.ac.uk
Tel: 0207-955-7035
Fax: 0207-955-7042

Ian Kessler
Said Business School
University of Oxford
Radcliffe Infirmary
Woodstock Road
Oxford OX2 6HE
ian.kessler@templeton.oxford.ac.uk
Tel: 01865-422-709
Fax: 01865-736-374

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ABSTRACT

This article explores reciprocity within the exchange relationship between the employee and employer using the psychological contract framework. Specifically, we examine the bi-directionality of the norm of reciprocity. We hypothesize that there will be a positive relationship between perceived employer obligations, fulfilment of obligations and employee obligations and fulfilment. In addition, we hypothesize that employee fulfilment of obligations will be positively associated with perceived employer obligations.

Using a longitudinal survey of 1400 public sector employees and 84 managers, our findings suggest that there is broad agreement between the two parties regarding the norm of reciprocity that governs the relationship. We found that perceived employer obligations at time 1 is positively associated with employees' fulfilment of obligations at time 2 and perceived employer fulfilment of obligations at time 1 is positively related to employee obligations and fulfilment of obligations at time 2. Furthermore, we found that employee fulfilment of obligations at time 1 is positively associated with perceived employer obligations at time 2. Overall, these findings provide initial empirical support for the norm of reciprocity in exchange relationships from both the perspective of employees as well as managers, as employer representatives.

PSYCHOLOGICAL CONTRACTS

Gouldner (1960) argued that the norm of reciprocity is universal in its demands; that is, people should help and not injure those who have helped them. Therefore, the basic tenet of the reciprocity thesis is that the need to reciprocate is universal yet contingent upon the receipt of benefits. In an organizational context, the norm of reciprocity within exchange relationships has been extensively used by researchers as a framework for understanding employee attitudes and behaviour. In particular, social exchange theory underlies much of the research in this area. As described by Blau (1964), social exchange entails unspecified obligations; where an individual does another a favour, there is an expectation of some future return. The future return is based on an individual trusting the other party to fairly discharge their obligations over the long run (Holmes, 1981). Falling within the domain of social exchange is the psychological contract defined by Rousseau (1989) “...an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations” (p. 123)

The conceptualization of the psychological contract has evolved from its historical roots in Barnard’s (1938) theory of equilibrium. While Argyis (1960) and Levinson, Price, Munden, Maudl and Solley (1962) are credited with using the term ‘psychological contract’, they alongside subsequent contributors have conceptualized the construct in significantly different ways (cf. Roehling, 1996). Briefly, the construct has evolved from mutual expectations to reciprocal obligations yet the core idea of reciprocity in the exchange is visible throughout its development. As Argyis notes “*the employee will maintain the high production, low*

grievances...if the foreman guarantees and respects the norms of the employee informal culture”
(1960, p.97).

The norm of reciprocity represents the key explanatory mechanism that underlies psychological contract theory. Rousseau (1989) argues that in the exchange relationship, there is a belief “that contributions will be reciprocated and that... the actions of one party are bound to those of another” (p.128). The idea of reciprocation draws of the work of Blau (1964) who argues that the exchange partners will strive for balance in the relationship and if imbalance occurs, attempts will be made to restore the balance. Furthermore, Morrison and Robinson, (1997) highlight the centrality of reciprocity by arguing that “violation comes not only from the organization’s presumed failure to reciprocate goods and services as promised, but also from its presumed failure to live up to the norms and standards of reciprocity and goodwill that govern the relationship” (p.248). In line with Rousseau’s (1989) conceptualization, perceived obligations and the extent to which those obligations are fulfilled represents the essence of the psychological contract. Perceived obligations set the parameters of the exchange while fulfilment of obligations captures behaviour within the exchange. Empirically, numerous studies have demonstrated that employees reciprocate perceived employer contract breach (obligations-fulfilment of obligations) by reducing their commitment to the organization (Coyle-Shapiro & Kessler, 2000), lowering their trust in the employer (Robinson & Rousseau, 1994) reducing their performance (Robinson, 1996) and withdrawing organizational citizenship behaviour (Robinson & Morrison, 1995). The emerging conclusion therefore, is that employees reciprocate treatment by the employer by adjusting their attitudes and behaviour accordingly.

The emphasis on the employee perspective characterizes much of the current research leaving the employer’s perspective comparatively neglected. However, studies that examine the

employer's perspective are beginning to emerge (Coyle-Shapiro & Kessler, 1998; Lewis-McClea & Taylor, 1998) that assess managerial views of the exchange relationship. These studies demonstrate that the employer's perspective is a fruitful line of investigation. By incorporating the employer's perspective, the issue of mutuality between the employee and employer can be explored (Coyle-Shapiro, 2001; Coyle-Shapiro & Kessler, 1998; Rousseau & Tijoriwala, 1998; Tekleab & Taylor, 2001). In addition to assessing whether there is agreement between the two parties regarding their obligations and the fulfilment of those obligations, the employer's perspective would allow researchers to examine whether there was agreement in terms of how the exchange relationship operates; that is, whether there is consensus on the norm of reciprocity that governs the relationship. The aim of this study is to examine reciprocity from the employee and employer perspective to determine whether mutuality exists in how the relationship operates. Specifically, we explore the extent to which employees reciprocate perceived employer obligations and the fulfilment of those obligations by adjusting their own obligations and the extent to which they fulfil those obligations. In addition, we explore the extent to which employee fulfilment of their obligations to the employer creates an obligation on the part of the employer to reciprocate. To address the bi-directionality of the norm of reciprocity, we employ a longitudinal research design using a sample of employees and we operationalize the employer's perspective through the lens of managers.

Reciprocity

Consistent with research adopting a social exchange framework, the psychological contract examines employee reciprocity based on the behaviour of the employer. The general focus of this work has examined the consequences of employer behaviour in terms of contract fulfilment or contract breach on traditionally examined employee outcomes (e.g., organizational

commitment and organizational citizenship behaviour). Given the focus of the psychological contract on obligations and the fulfilment/breach of those obligations, few studies have examined these as outcomes of the exchange relationship (exceptions would include Coyle-Shapiro & Kessler, 1998; Robinson, Kraatz & Rousseau, 1994). Robinson, Kraatz and Rousseau (1994) empirically demonstrate that employees reciprocate the treatment they receive by adjusting their own obligations to their employer. Therefore, the psychological contract framework expands our conceptualisation of reciprocity by incorporating a cognitive dimension; that is, what employees feel are their obligations to their employer. With this in mind, the psychological contract offers a unique form of reciprocity in its focus on perceived obligations and the fulfilment of those obligations.

The focus on perceived contract breach or fulfilment as a basis upon which reciprocity occurs is consistent with empirical research on social exchange that examines the effects of employer treatment. However, as Arnold (1996) notes, when perceived obligations and the degree of fulfilment are combined, it is difficult to ascertain which element matters in explaining the outcomes. If perceived employer obligations do not contribute to the variance explained, this suggests that what really matters is the inducements employees receive. If this holds true, it questions the utility of the focus of the psychological contract on reciprocal obligations. In other words, if individuals based their reciprocity exclusively upon the perceived behaviour of their exchange partner, this may undermine the distinctive focus of the psychological contract on reciprocal obligations. As obligations reflect future contributions to the exchange relationship that may or may not be fulfilled contingent upon the other party's behaviour, one would expect the anticipation of the fulfilment of obligations in the future to have an influence on how an individual views and behaves within that exchange relationship

As Rousseau and Tijoriwala (1998) note “...*central to the workings of psychological contracts is the interplay between employee and employer obligations, their relative magnitude and contingent relations...*” (p.692). However, the focus of this interplay has generally taken one direction; that is, from the employer to the employee. According to the norm of reciprocity, obligations are imposed contingently; that is, in response to the benefits conferred by others. As Gouldner (1960) states, “when one party benefits another, an obligation is generated” (p. 174). In the context of the employee-employer exchange, the employer in fulfilling its obligations to employees creates an obligation on the part of the employee. If the norm of reciprocity holds true, then the reverse direction should also apply whereby, if employees fulfil their obligations to their employer, an obligation is generated on the part of the employer. Therefore, in theory, the exchange relationship between the employee and employer could be characterized as an ongoing repetitive cycle of conferring benefits that in turn induce an obligation to reciprocate.

From the preceding discussion, it is argued that the distinctive features of the psychological contract provide a more elaborate basis to examining reciprocity in exchange relationships. The psychological contract expands the basis of employee reciprocity by differentiating between perceived employer obligations and the fulfilment of obligations. Second, the basis upon which employees reciprocate is mirrored in the conceptualization of employee reciprocity; that is, employees reciprocate perceived employer obligations and fulfilment of obligations by adjusting their obligations and the fulfilment of those obligations to their employer. Finally, the psychological contract permits an examination of the bi-directional influence of the norm of reciprocity.

Hypotheses

Although the predominant view is that employees reciprocate treatment by the employer, a number of studies suggest that the type of relationship an individual perceives they have with their employer may have important consequences for how an individual behaves in that relationship (Blancero & Kreiner, 2000; O'Leary-Kelly & Schenk, 1999). O' Leary-Kelly and Schenk (1999) empirically demonstrate that the type of contract an individual develops with his/her employing organization influences their intentions to remain and performance. Drawing on Barnard's (1938) idea of 'net anticipated satisfactions', perceived employer obligations reflect anticipated future benefits that may form the basis of employee reciprocity. In exchange relationships, some obligations may be ongoing such as job security or up to date training and development. These types of obligations at any particular point in time may not be perceived by employees as fully discharged. Consequently, ongoing obligations represent anticipated future fulfilment that is contingent upon employees fulfilling their obligations. Blau (1964) argues that individuals will try to avoid feeling indebted to their exchange partner and will take steps to create a positive imbalance as a means of avoiding indebtedness. Employees, therefore, may reciprocate future benefits as a way of creating a positive imbalance and also to ensure that future benefits are realized.

We examine the degree to which employee obligations and the fulfilment of obligations are contingent upon perceived employer obligations and the fulfilment of employer obligations with the following two hypotheses:

Hypothesis 1a: Employees will report a positive association between perceived employer obligations and the fulfilment of those obligations at time 1 and employee obligations and fulfilment at time 2.

Hypothesis 1b: Managers will report a positive association between perceived employer obligations and the fulfilment of those obligations at time 1 and employee obligations and fulfilment at time 2.

In examining reciprocity, research generally adopts a uni-directional view by exploring how employees reciprocate employer treatment. Neglected is an examination of reciprocity between employee behaviour and employer obligations. As the norm of reciprocity suggests, the conferring of a benefit (i.e. in the context of the psychological contract, this would involve employees fulfilling their obligations to the employer) creates an obligation to reciprocate. This represents a key test of whether the norm of reciprocity governs the exchange relationship. In other words, there should be a bi-directional influence between the two parties to the exchange reflecting the contingent interplay of their interactions. Employees, in fulfilling their obligations to the employer are temporarily discharging those obligations and placing an obligation on the employer to reciprocate. This reciprocation may take the form of obligations on the part of the employer to continue to provide the employee with, for example, job security, good career prospects and the provision of up to date training and development. Based on this, we examine the following hypotheses:

Hypothesis 2a: Employees' reported fulfilment of their obligations at time 1 will be positively related to perceived employer obligations at time 2

Hypothesis 2b: Managers will report a positive relationship between employees' fulfilment of their obligations at time 1 and perceived employer obligations at time 2

Procedure and Sample

Data were collected from public sector employees working in a local authority responsible for providing a wide range of public services including education, social service, highways' maintenance, home care for the elderly and fire fighting. The sample used here is restricted to employees who completed the survey on two measurement occasions. The first survey of 23000 yielded a response rate of 30% and this response rate was broadly replicated in the second survey conducted two and a half years subsequent. This response rate is comparable to that reported in other psychological contract research (Robinson & Morrison, 2000; Turnley & Feldman, 1999). The overall respondent sample at time 1 and 2 was found to be representative of the total employee group along a number of key demographic characteristics including age, gender, work status and occupation. We were able to match 1303 employees who completed the two surveys (supervisors, managers and employees on a casual contract were excluded from the employee sample and subsequent analysis). The sample was 63.5% female, a mean age of 44.5 years; average job tenure of 7.29 years and 64.1% were union members.

The employer survey was mailed to a sample of managers on two occasions: three months prior to the first survey distributed to employees and three months subsequent to the completion of the employee second survey giving a three year time lag between the two surveys. Although the response rate was 71% and 73% at time 1 and time 2 respectively, the matching of senior managers who completed the two surveys reduced the sample to 84. The sample was 53.7% female, a mean age of 46 years, organizational and managerial tenure was 14.24 years and 9.59 years respectively.

Measures – employee survey

In contrast to most studies on the psychological contract, we separate the two components of the psychological contract to determine their relative effect. Robinson (1996) in capturing contract breach subtracts the degree to which an obligation was fulfilled from the degree to which it was perceived to be an obligation. In this study, rather than combining the two components to construct a measure of perceived breach, we separate perceived employer obligations and the extent to which those obligations have been fulfilled. Similarly, we separate perceived employee obligations from fulfilment from obligations.

Although the distinction between transactional and relational obligations has been made by researchers (Rousseau, 1990; Robinson, Kraatz & Rousseau, 1994), the demarcation between these obligations is not so clear cut (Arnold, 1996; Coyle-Shapiro, 2000). The transactional/relational distinction may be better captured with a features-based measurement approach. As a consequence of the ambiguity surrounding the transactional/relational distinction, some researchers capture unspecified obligations (Lewis-McClea & Taylor, 1998) or combine specific obligations into an overall category (Turnley & Feldman, 1999). We adopt the latter approach in this study and hence, do not make a distinction between transactional and relational elements of the psychological contract.

Perceived employer obligations. At time 1 and time 2, employees were asked to indicate the extent to which they believed their employer was obligated to provide a range of items. Participants were provided with a 5-point scale ranging from ‘not at all’ to ‘a very great extent’ (in addition to a ‘not sure’ category) along with a list of employer obligations that tapped typical dimensions of the employment relationship investigated in previous research (Rousseau, 1990). These included long term job security, good career prospects, support with personal problems, information on important developments, involvement in decision-making, up to date training and

development, necessary training to do job well, freedom to do job well, policies and procedures that help do job well, 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. The alpha coefficient for this 14-item scale was .85 and .87 at time 1 and time 2 respectively.

Perceived employer fulfillment of obligations. At time 1, employees were asked to indicate the extent to which they felt their employer provided the same range of items. The items were modified to capture perceived fulfillment. For example, in measuring perceived obligations, respondents were asked to indicate the extent to which they believed their employer is obligated to provide them with long term job security. In capturing fulfillment, respondents were asked to indicate the extent to which they felt they had job security. The alpha coefficient for this 14-item scale is .89 at time 1.

Employee obligations. Employees were asked to indicate the extent to which they believed they owed their employer a range of items at Time 1. Participants were provided with a 5-point scale ranging from 'not at all' to 'a very great extent' (in addition to a 'not sure' category) along with a list of employee obligations. The employee obligations included: work extra hours when necessary, volunteer to do tasks that are not part of the job, look for better ways of doing the job, look for ways to improve the way things are done in the department/work area,

flexible in what is done as part of the job, flexible in working hours, work unpaid hours to finish a task, look for ways to save costs and adapt to changes in the way the job is done. The alpha coefficient for this 9-item scale was .85

Employee fulfilment of obligations. Subsequently, respondents were asked to indicate the extent to which they in practice fulfilled those obligations. The items where needed were modified to reflect fulfilment of obligations. The alpha coefficient for this 9 items scale is .87 at time 1 and .82 at time 2

Measures – manager survey

Perceived employer obligations. At time 1 and time 2, managers, as organizational representatives were asked to indicate the extent to which they believed the employer was obligated to provide employees with the same list of fourteen obligations (using a 5-point scale ranging from ‘not at all’ to ‘a very great extent’). The alpha coefficient for this 14-item scale was .77 and .76 at time 1 and time 2 respectively

Perceived employer fulfillment of obligations. At time 1, managers were asked to indicate the extent to which they felt the employer provided the same range of items. The alpha coefficient for this 14-item scale is .85.

Employee obligations. Managers were asked to indicate the extent to which they believed employees were obligated to provide the employer with the same list of nine obligations at Time 1 using a 5-point scale ranging from ‘not at all’ to ‘a very great extent’ (in addition to a

'not sure' category) along with a list of employee obligations. This 9-item scale has an alpha coefficient of .77.

Employee fulfilment of obligations. Subsequently, managers were asked to indicate the extent to which employees' in practice fulfilled those obligations. This 9-item scale has an alpha coefficient of .83.

Analysis

Hierarchical regression analysis was used to test hypotheses 1a and 1b. Prior research has demonstrated that attitudes and behaviour at work can be influenced by demographic characteristics (Mowday, Porter & Steers, 1982). Therefore, we included four demographic variables (age, gender, trade union membership, and job tenure) to reduce the possibility of spurious relationships in the analysis using the employee sample. In the sample of managers, we included age, gender, organizational tenure and managerial tenure as demographic variables.

In the analyses, the demographic variables were entered in step 1 of each equation. In step 2, perceived employer obligations and the fulfilment of obligations at time 1 were entered to predict perceived employee obligations and the fulfilment of obligations at time 2. As we are interested in the relative effects of perceived employer obligations and the fulfilment of those obligations, we conducted a usefulness analysis (Darlington, 1968). This analysis reveals the unique contribution of one or more independent variables to predicting variance in the dependent variables. Specifically, perceived employer obligations and the fulfilment of obligations were separately entered into a hierarchical regression equation in separate steps and in reverse ordering. This permits an examination of the variance explained by perceived employer obligations in excess of the explanatory capacity of all the other variables entered in prior steps.

Hypothesis 2a and 2b was tested by regressing perceived employer obligations at time 2 on the demographic variables and perceived employee fulfilment of obligations at time 1.

RESULTS

Scale means, standard deviations, reliabilities and correlations are reported in Table 1 and Table 2 respectively for the employee and managerial sample. The alpha coefficients (.76 to .89) for the scales are acceptable. Hypothesis 1a predicted that employer obligations and fulfilment of obligations at Time 1 would be positively related to employee obligations and fulfilment of obligations at Time 2. As shown in Table 3, perceived employer fulfilment of obligations at time 1 is positively related to employee obligations ($\beta=.31$, $p<.01$) and employee fulfilment of obligations ($\beta=.17$, $p<.01$) at Time 2. Perceived employer obligations at time 1 is positively associated with employee fulfilment of obligations ($\beta=.10$, $p<.01$) but not employee obligations at time 2. The inclusion of perceived employer obligations and the fulfilment of obligations explains additional variance in employee obligations ($\Delta R^2 .09$, $\Delta F 67.94$, $p<.01$) and fulfilment of their obligations ($\Delta R^2 .04$, $\Delta F 27.40$, $p<.01$). Overall, the results provide broad support for hypothesis 1a.

Hypothesis 1b was tested with the managerial sample. As Table 4 shows, perceived employer obligations at time 1 is positively related to employee obligations ($\beta=.26$, $p<.01$) and employee fulfilment of obligations ($\beta=.20$, $p<.06$) at time 2. Perceived employer fulfilment of obligations at time 1 was positively related to employee obligations ($\beta=.35$, $p<.01$) and employee fulfilment of obligations ($\beta=.21$, $p<.06$) at time 2. The inclusion of perceived employer obligations and the fulfilment of obligations at time 1 explains unique variance in employee

obligations (ΔR^2 .21, ΔF 10.01, $p < .01$) and fulfilment of obligations (ΔR^2 .09, ΔF 4.01, $p < .01$) at time 2. Overall, hypothesis 1b is supported.

Table 5 presents the results of the usefulness analysis using the employee and managerial sample. The pattern of results differ between employees and managers as organizational representatives. The results using the managerial sample provide stronger support for the independent and cumulative effect of perceived employer obligations at time 1 to explaining variance in employee obligations and the fulfilment of obligations at time 2. Specifically, perceived employer obligations explains unique variance in employee obligations (ΔR^2 .07) and employee fulfilment of obligations (ΔR^2 .04) beyond that explained by perceived employer fulfilment of obligations and the demographic variables. For employees, perceived employer obligations does not explain any additional variance in employee obligations but explains an incremental amount of variance in employees' fulfilment of their obligations (ΔR^2 .01). Overall, these findings suggest that employee fulfilment of their obligations is not solely based on the perceived fulfilment of employer obligations.

Hypothesis 2a and 2b predicted that employee fulfilment of obligations at time 1 would be positively related to perceived employer obligations at time 2. As Table 6 shows, employee fulfilment of their obligations at time 1 is positively associated with perceived employer obligations at time 2 ($\beta = .10$, $p < .01$ for the employee sample and $\beta = .22$, $p < .05$ for the managerial sample) thereby supporting the hypotheses. This supports the bi-directionality of the norm of reciprocity in the employee-employer exchange.

RECIPROCITY AND THE PSYCHOLOGICAL CONTRACT

This study provides preliminary evidence of the reciprocal influence that occurs in the exchange relationship between the employee and employer. Our findings demonstrate the norm

of reciprocity in which the conferring of benefits (i.e. fulfilling obligations) creates a perceived obligation on the part of the recipient to reciprocate. Significantly, the support for the norm of reciprocity comes from both parties to the exchange.

The theoretical significance of this study is three-fold. First, our research confirms and extends existing empirical evidence concerning the basis of employee reciprocity. Consistent with existing empirical research, our findings support the view that employees reciprocate perceived employer fulfilment of obligations by cognitively adjusting their obligations to the employer and fulfilling those obligations. However, perceived employer obligations represents an additional basis upon which employees reciprocate. In doing so, employees seem to be balancing future benefits from their employer with present contributions (i.e. fulfilling obligations) as a way of discharging their obligations and concurrently maximising the realization of future benefits from the employer. This would be consistent with Blau's (1964) argument that individuals strive to create a positive imbalance in their exchange relationship. In reciprocating future benefits from the employer, employees are placing trust in the employer that these benefits will be forthcoming. Overall, this study confirms Rousseau's (1989) argument on the centrality of reciprocity to our understanding of how exchange relationships are governed.

Second, our research demonstrates the bi-directionality of the norm of reciprocity. Perceived employer fulfilment of their obligations creates an obligation on employees to reciprocate and this takes the form a cognitive upward adjustment in employees' obligations to their employer. Similarly, employees' fulfilment of their obligations creates an obligation on the employer to reciprocate and this manifests itself in the positive adjustment of perceived employer obligations to employees. This extends prior research that examines reciprocity in the direction from the employer to the employee. In doing so, it confirms that the norm of

reciprocity operates in both directions between the exchange partners. Consequently, the exchange relationship is maintained through the repetitive cycles of the conferring of benefits by the exchange partners, which creates an obligation on the recipient to reciprocate. In ongoing exchange relationships, one party's perceptions of the other party's obligations is influenced by the behaviour (fulfilment of obligations) of each party. Therefore, behaviour within exchange relationships influences the parameters of that relationship and vice versa.

Third, this study empirically demonstrates that managers, as employer representatives view the relationship with employees as one based on the norm of reciprocity. Our findings suggest that there is broad agreement in the perceptions of the two parties regarding how the exchange relationship operates. The key difference lies in the effect of perceived employer obligations. Managers perceive a stronger relationship between perceived employer obligations, employee obligations and the fulfilment of obligations than employees. This may be a consequence of different interpretations of what is being reciprocated with managers reporting a greater effect for anticipated fulfilment of obligations whereas the primary basis for reciprocation from employees' viewpoint is what the employer has delivered. Clearly, the perceived basis upon which reciprocity occurs merits future research attention.

In interpreting the findings of this study, the limitations must be considered. First, the effects found for the reciprocal influence between the actions of both parties to the exchange is surprisingly strong when one considers the time lapse between measurement points. Similar to other psychological contract research that adopts a longitudinal design (Robinson, 1996; Robinson & Morrison, 2000), this study does not capture or take account of potential changes that may have occurred in the intervening period. A related limitation is that no account was taken of the potential change in perceived employer obligations and inducements from time 1 to

time 2, when employee contributions were captured. If the terms of the psychological contract had changed, this would have introduced a measurement error that would have weakened the results. Overcoming this would require the measurement of perceived employer obligations and the fulfilment of those obligations just before the measurement of employee reciprocity. Similar to other psychological contract and social exchange studies, this study captures a globalized view of reciprocity that excludes episodes of reciprocity that may occur on a daily basis as part of organizational life. Although two measurement occasions were used, this would reduce but not eliminate all common method bias as all of the variables were assessed using survey measures, which may have inflated the relationships observed. However, meta-analytic research on the percept-percept inflation indicates that the magnitude of the inflation of relationships may be over-estimated (Crampton & Wagner, 1994).

The sample is from the public sector and this setting may be unique enough to limit the external validity of the findings. The amount of variance explained for the dependent variables is small. This is partly a result of the time lag between measurement points but is nonetheless consistent with other research (Moorman et al., 1998; Robinson, 1996). However, we would argue that the norm of reciprocity might produce stronger effects in other contexts as public sector employees may be constrained from adopting a stronger reciprocity norm. One such constraint may be employees' commitment to the public service and what employees contribute or decide not to contribute may have direct implications for the delivery of service to public users.

These findings present a number of avenues for future research. Overall, this research shows the value of examining the norm of reciprocity using the psychological contract framework. Future research could replicate this study and examine both parties' acceptance of

the norm of reciprocity to expand our understanding of the actions and reactions that occur within the exchange relationship. Also, the basis upon which employees reciprocate warrants future attention and this is where the distinction between perceived employer obligations and the fulfilment of those obligations may be of particular relevance. Second, research is needed to develop the conceptualisation of reciprocity. Whether reciprocity is best conceptualised as a series of discrete and specific acts or a more prolonged global act where episodes cannot be discerned remains an issue to be addressed. In reality, employees may engage in discrete acts of reciprocation based on their experience of specific events within the organization (i.e. an employee is not permitted to leave work early as requested and in response intentionally arrives late the following day). It may be the accumulation of discrete events that influence employees' global reciprocity based on an overall evaluation of how they have been treated by their employer. As mentioned, the duration of reciprocation could be classified as discrete/temporal or prolonged/enduring whereby an individual engages in a specific act (i.e. episode) of reciprocity such as working late to finish off a project or engage in reciprocity over a prolonged period (e.g. regularly attending meetings that are not required but may help the organization). In addition, the timing of reciprocation could be categorised as immediate or delayed depending upon the opportunity and perhaps the saliency of the reciprocating inducing event. Viewing reciprocation as a multidimensional construct in terms of its nature, duration and timing may go some way towards unpacking what is a broad and ill-defined concept.

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TABLE 1**Descriptive statistics and correlations for employee sample**

	Mean	S.D	1	2	3	4	5	6	7	8	9
1. Gender T₁	0.63	0.48									
2. Age T₁	42.06	9.34	-.01								
3. Trade union membership T₁	0.62	0.48	-.08	.09							
4. Job tenure T₁	6.79	6.14	-.19	.27	.21						
5. Employee fulfilment of obligations T₁	3.80	0.61	.11	.10	-.01	-.14					
6. Employee obligations T₁	3.56	0.60	.02	.16	-.06	-.08	.65				
7. Employee fulfilment of obligations T₂	3.78	0.63	.11	.10	.00	-.12	.66	.49			
8. Employer obligations T₁	4.17	0.50	.05	-.02	.13	-.02	.15	.10	.12		
9. Employer fulfilment of obligations T₁	3.08	0.60	.11	.00	-.06	-.07	.33	.42	.19	.00	
10. Employer obligations T₂	4.15	0.49	.05	-.05	.15	.05	.07	.00	.11	.41	-.06

Correlations > .09 are statistically significant at $p < .01$. Correlations > .06 are statistically significant at $p < .05$.

TABLE 2**Descriptive statistics and correlations for managerial sample**

	Mean	S.D	1	2	3	4	5	6	7	8	9
1. Gender T ₁	0.54	0.50									
2. Age T ₁	46.23	6.98	.10								
3. Organizational tenure T ₁	14.24	8.36	-.20	.40							
4. Managerial tenure T ₁	9.59	6.26	-.27	.45	.67						
5. Employer obligations T ₁	4.27	0.40	-.13	.07	.06	.09					
6. Employer obligations T ₂	4.17	0.39	-.02	.23	.01	.00	.49				
7. Employer fulfilment of obligations T ₁	3.13	0.52	-.19	.04	.22	.18	.17	.13			
8. Employee obligations T ₂	3.80	0.50	-.09	.00	.00	.06	.35	.39	.36		
9. Employee fulfilment of obligations T ₂	3.76	0.64	.18	-.03	-.02	-.01	.18	.27	.17	.25	
10. Employee fulfilment of obligations T ₁	3.69	0.72	.30	.12	.01	-.04	.25	.22	.24	.23	.59

Correlations > .30 are statistically significant at $p < .01$. Correlations > .22 are statistically significant at $p < .05$.

TABLE 3

Hierarchical regression analysis examining the effects of perceived employer obligations and fulfillment on employee obligations and fulfillment for the employee sample

	T ₂			
	Perceived employee obligations		Perceived employee fulfillment of obligations	
	Step 1	Step 2	Step 1	Step 2
Gender (0=M, 1=F) T ₁	-.01	-.04		.06*
Age T ₁	.13**	.12**		.15**
Trade union membership T ₁	-.04	-.03		.02
Job tenure T ₁	-.11**	-.09**		-.15**
Perceived employer fulfillment of obligations T ₁		.31**		.17**
Perceived employer obligations T ₁		.01		.10**
Overall F	7.97**	28.51**	15.82**	20.11
Δ F	7.97**	67.94**	15.82**	27.40**
ΔR ²	.02	.09	.04	.04
Adjusted R ₂	.02	.11	.04	.08
N	1303	1303	1303	1303

** P<.01 * P<.05 ‡ P<.06 Beta coefficients are reported in columns

TABLE 4

Hierarchical regression analysis examining the effects of perceived employer obligations and fulfillment on employee obligations and fulfillment for the managerial sample

	T₂			
	Perceived employee obligations		Perceived employee fulfillment of obligations	
	Step 1	Step 2	Step 1	Step 2
Gender (0=M, 1=F) T ₁	-.08	.00	.23*	.30**
Age T ₁	-.05	-.05	-.10	-.11
Organizational tenure T ₁	-.04	-.10	.02	-.02
Managerial tenure T ₁	.11	.08	.10	.07
Perceived employer fulfillment of obligations T ₁		.35**		.21‡
Perceived employer obligations T ₁		.26**		.20‡
Overall F	0.38ns	3.65**	1.01ns	2.06*
Δ F	0.38ns	10.01**	1.01ns	4.01*
ΔR ²	.02ns	.21**	.05ns	.09*
Adjusted R ₂	-.03	.17	.00	.07
N	84	84	84	.84

** P<.01 * P<.05 ‡ P<.06 Beta coefficients are reported in columns

TABLE 5

Usefulness analyses: Comparisons of the R² incremental change for perceived employer obligations and fulfilment of employer obligations

<i>Step/Independent variable</i>	Incremental change Explained	
	Employee	Employer
Dependent variable: Employee obligations at time 2		
Employer obligations entered first		
Step 2. perceived employer obligations	.00ns	.09**
Step 3. Perceived employer fulfilment of obligations	.09**	.11**
Employer fulfilment of obligations entered first		
Step 2. Perceived employer fulfilment of obligations	.09**	.14**
Step 3. Perceived employer obligations	.00ns	.07**
Dependent variable: Employee fulfilment of obligations at time 2		
Employer obligations entered first		
Step 2. perceived employer obligations	.01**	.05*
Step 3. Perceived employer fulfilment of obligations	.03**	.04*
Employer fulfilment of obligations entered first		
Step 2. Perceived employer fulfilment of obligations	.03**	.05*
Step 3. perceived employer obligations	.01**	.04*

* P<. 05 ** p<. 01. The values represent the additional change in R² achieved by entering the variables specified at each step.

TABLE 6

Regression results examining the effect of employee fulfillment of obligations at time 1 on perceived employer obligations at time 2

	Perceived Employer Obligations T2	
	Managerial Sample	Employee Sample
Gender (0=M, 1=F) T ₁	-.16	.08**
Age T ₁	.27*	-.12**
Trade union membership	-----	.16**
Organizational tenure T ₁	-.01	-----
Job tenure	-----	.08**
Managerial tenure T ₁	-.14	-----
Employee fulfillment of obligations T ₁	.22*	.10**
Adjusted R ₂	.05	.05
F	1.80	13.66**
N	84	1305

** P<.01 * P <.05