PHYSICAL CONTRACT AND JOB OUTCOMES: MEDIATING ROLE OF AFFECTIVE COMMITMENT

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Abstract
In this cross sectional field survey we examined the relationship between psychological contracts, affective commitment and job outcomes. The data was collected from 302 employees of several organizations in a large city of Pakistan. The results revealed that affective commitment fully mediated between relational contracts and job satisfaction and affective commitment mediated the relationship between relational contracts and turnover intention.

Key Words: Psychological Contracts, Affective Commitment, Job Outcomes

INTRODUCTION

Researchers have carried out ample research on two important constructs in organizational behavior literature psychological contracts and affective commitment (Allen & Meyer, 1996; Raja, Johns & Ntalianis, 2004, Robinson & Rousseau, 1994). We investigated the linkage of 02 hot topics of current OB research with specific focus on establishment of key links through which the psychological contracts and outcome relationship exists. As it is evident from research that processes through which job behaviors are determined are much more important than job outcomes itself (Colquitt, Greenberg, & Zapata-Phelan, 2005). Firstly, this study is aimed to investigate the relationship between psychological contracts and job outcomes (job satisfaction & intention to quit). Secondly, exploration of the mediating process of affective commitment in relationship between psychological contract and outcomes.

“Psychological contract is an exchange relationship between employee and employer “(Schein, 1978). It is about the individual’s beliefs, potential opportunities and mutual commitment in exchange relationships (Rousseau, 1989). “Psychological contract are of two types, relational contract and transactional contract (Morrison & Robinson 1997; Rousseau, 1995).” “Relational contracts are associated with emotional interactional dimensions, with non-financial, socio-emotional, intrinsic focus between employees and employers (Rousseau, 1995).” “Transactional contract explain the economic exchange relations with extrinsic, financial and narrow focus. The construct of psychological contract derived form social exchange theory (Blau, 1964; Organ, 1988).”

Social exchange relationships involve economic as well as exchange of socio-emotional benefits (Cropanzano, Rupp, & Byrne 2003). Affective commitment can be defined as emotional binding and employees’ desire to be identified and affiliated with organization. It comprises of magnified emotions of attachment, belongingness and constancy (Meyer & Allen 1993). As both of these constructs are related to cognitive and emotional attachment of employees with the organization due to some extrinsic and intrinsic factors. All those positive factors which are the basis for formation of psychological contract (economic and socio-emotional) are considered the antecedents for higher levels of affective commitment. Exchange of economic as well as socio-emotional benefits from employer to employee causes the increased level of affective commitment, which works as a mechanism through which individuals with certain types of contracts are linked to...
job outcomes. Social exchange theory provides strong logical support in establishment of this mediation mechanism of affective commitment in this study.

**Psychological Contracts and Job Outcomes**

“Psychological contract is defined as a person’s perception and expectations about the shared obligation in an employment exchange relationship (Rousseau, 1989)”. Psychological contract is some thing that is beyond or more than expectation. It is an implicit unwritten and non verbal expectation of employees and employers (Schein, 1978). “Psycho logical contract is a relationship of the mutual obligation between employee and employer (Rousseau, 1989)”. “Each individual hold his / her different perception of mutual obligation under the contract (Robinson, Kraatz & Rousseau 1994)”.

“Psychological contract is belief or perception and promise that rules and regulations accepted by employees and employer (Robinson & Rousseau 1994)”. MacNeil’s (1985) explained two major types of contracts; Transactional contract and the relational contract. “ Transactional contracts are economically based and short-term oriented (Morrison & Robinson, 1997; Raja at al., 2004; Rousseau, 1990).” Rousseau (1990) defined those having their contract as transactional characterized as have “high competitive wage rates and absence of organizational commitment” (p. 391) generally organizations temporarily hire individuals for specific purpose in order to meet current requirements.

The relational contract includes long term and extensive obligations, based on exchange of socio -emotional components such as loyalty, commitment and trust (Raja et al., 2004; Robinson, Kraatz & Rousseau 1994; Rousseau, 1990; Rousseau & McLean Parks, 1993).

“Generally, in relational contract firm hire individuals and train them in order to meet future needs (Miles & Snow, 1980)”. “Rousseau (1990) argues that in relational psycho logical contract employees want to make a long-term relationship with their employers or organization.” The employees’ relation with the firm changes with the phases of time.

Job satisfaction can be defined as “a positive or negative evaluative judgment of one’s job or job situation” “(Weiss & Cropanzano, 1996, p. 2). Job satisfaction is said to be a function of the perceived relationship between what one wants from one’s job and what one perceives it as offering (Locke, 1969). Following this logic, a discrepancy between promised and received inducements is likely to lead to feelings of dissatisfaction.”

Hoppock’s (1935) found a strong correlation between workers’ emotional adjustment and their levels of job satisfaction. “Lock (1976) found that individuals react affectively when they get outcomes inconsistent with their expectations. These affective reactions can be positive when outcomes encountered are valued and pleasant. Consistent with this argument it is likely that job satisfaction will be more positive when it is felt that received outcomes are consistent with an individual’s expectation”. Relational contract based on exchange of socio -emotional components such as loyalty, commitment and trust, therefore employees in relational contract are generally more satisfied (Raja et al., 2004; Robinson, Kraatz & Rousseau 1994; Rousseau, 1990; Rousseau & McLean Parks, 1993). Relational contract was positively related to job satisfaction and transactional contract was negatively related to job satisfaction (Millward & Hopkin 1998; Raja et al., 2004). Keeping in view this literary support, we propose the following hypothesis.

**Hypothesis**

\( H0,a: \) Relational contract will be positively related to Job satisfaction.

\( H0,b: \) Transactional contract will be negatively related to job satisfaction.

Employee may leave the organization voluntarily or involuntarily due to certain reasons.
Turnover intention is defined as employee’s decision to leave the organization (Mobley 1977). Voluntarily turnover may be due to unfavorable work environment, better career objectives and attractive financial sources. Organization may want to terminate the employee due to incompatibilities, or retire the person due to old age or death is also included in involuntary turnover (Mobley, 1977). The relational contract includes long term obligations, based on socio-emotional components such as loyalty, commitment and trust (Robinson, Kraatz & Rousseau 1994). Literature support that when employees exhibit relational contract, they have less or no turnover intention, on the other hand the transactional nature of contract are in which employees exhibit high turnover intention (Morrison & Robinson, 1997; Raja et al., 2004; Rousseau, 1990). Keeping of above support in view this research purposed that

$H0_a$: Relational contract will be negatively related to intention to leave.

$H0_b$: Transactional contract will be positively related to intention to leave.

Affective Commitment and Job Outcomes

The major acceleration in affective commitment literature was the contribution of Allen and Mayer (1990) they defined affective commitment as Individuals’ emotional connection, feeling of ownership and inner desire to be identified with organization. There are four facets of affective commitment: individuals’ personal attributes, structural factors, job related features and tenure (Mowday, Porters & Steers 1982). Personal characteristics include demographic variables such as age, sex, education and tenure are linked to commitment (Angle & Perry, 1981). Meta analysis by Meyer, Stanley, Herscovitch, and Topolnytsky (2002) proves that affective commitment is negatively correlated with turnover and job satisfaction.

Allen and Meyer (1996) reported several studies with strong positive correlation between affective commitment and job satisfaction. The correlation values ranged from ($r = 0.50$ to $r = 0.64$, $p > 0.05$) for reported from eight different studies (p, 262). The strong positive relationship has been found in several studies between affective commitment and job satisfaction (Jenkins, 1993; Konovsky & Cropanzano, 1991; Lee, 1992; Lynn, 1992; Morrison, 1994, Withey, 1988). Literature provides considerable empirical evidence on the association between affective commitment and turnover intention (Huselid & Day 1991; Lverson & Buttigieg, 1999; Mowday et al., 1982). The Meta analysis by Griffeth, Horn & Gaertner, (2000) and Mayer et al., (2002) proves that affective commitment is negatively correlated with employees turn over intention. Employees with affective commitment are more to have intentions to remain with the organization (Meyer, et al., 1993). Affective commitment has developed strong research background with turnover intention (Mowday, Porters & Steers, 1982; Griffeth et al., 2000). Therefore current study purpose that

$H0_a$: Affective commitment will be positively related to job satisfaction.

$H0_b$: Affective commitment will be negatively related to turnover intention.

Psychological Contract and Affective Commitment

“Affective commitment related to emotional attachment with the organization (Allen & Mayer, 1990).” Mayer and Allen (1991) suggest that an influenced by the extent to which the individuals’ expectations about the organization are coordinated by their actual experiences. “This clearly links with the perceived reciprocal obligations of the psychological contract (Robinson et al., 1994). Previous literature has established the relationship between psychological contracts and organizational commitment (Millward & Hopkins, 1998; Raja et al., 2004; Rousseau, 1990).” Relational contract based on socio emotional components like commitment and trust
Relational contract has positive significant association with organizational commitment (Millward & Hopkin 1998; Raja et al., 2004).

“Transactional contracts are economically based and short-term oriented (Morrison & Robinson, 1997). Transactional contract are monetary in nature with short term time orientation (Raja et al., 2004; Rousseau, 1990)”.

Rousseau (1990) argues that those with transactional psychological contracts are likely to have high competitive compensation with low organizational commitment. So transactional contract is negatively related to the organizational commitment (Millward & Hopkin, 1998; Raja et al., 2004). On the basis of this literature support, we propose the following hypothesis.

\[ H_0 \]: Relational contract will be positively related to Affective Commitment.
\[ H_0 \]: Transactional contract will be negatively related to Affective Commitment.

**Affective Commitment as Mediator**

“Social exchange theory suggests that one’s relationship with an employer provides a proximal cause for work attitude and turnover intentions (Cropanzano et al., 2003).” Psychological contracts and affective commitment both are related to cognitive and emotional attachment of employees with the organization. According to social exchange theory (economic and socio emotional) exchanges form some psychological link of employees with organization. On the other hand these exchanges are considered to be the antecedents for higher levels of affective commitment.

Exchange of economic as well as socio emotional benefits from employer to employee causes the increased level of commitment for relational contract employee and decreased level of affective commitment for transactional employee. This phenomena based on social exchange theory provides strong logical support in establishment of this mediation mechanism of affective commitment in this study.

The Attitude- Behavior Theory (Fishbein & Ajzen's, 1975) also supports this notion of affective commitment mediation mechanism between psycho logical contract and outcomes. This theory suggests that job attitude originated from individuals' beliefs about the different aspects of the environment. Affective commitment can be considered as an attitudinal reaction which resulted from employment experiences and beliefs about the work environment (Rousseau, 1995). A belief that in case of relational contract should positively affect the attitude (commitment) towards the organization and for transactional contract should negatively affect commitment towards the organization. Thus we propose that affective commitment is the mechanism through which individuals outcomes are leading towards individuals’ psychological contracts. We therefore suggest hypothesis about the mediation of affective commitment between psychological contracts and outcomes.

\[ H_0 \]: Affective commitment mediate the relationship between relational contract and job satisfaction.
\[ H_0 \]: Affective commitment mediate the relationship between transactional contract and job satisfaction.

\[ H_0 \]: Affective commitment mediate the relationship between relational contracts and turnover intention.
\[ H_0 \]: Affective commitment mediate the relationship between transactional contracts and turnover intention.
RESEARCH METHODOLOGY

Sample and Procedures

Our survey consists of employees of 8 different organizations from private and public sector of Pakistan. Two of the organizations were top telecom companies and five were well-established universities. One of the organizations is well known multinational company.”

In a brief cover letter we explained the research objective and scope of the study along with guarantee of rigid confidentiality. In total 400 questionnaires were circulated in the above mentioned organizations.

Overall, 331 filled questionnaires were returned. After discarding unusable questionnaires, we left with 302 useable responses resulting in effective response rate of 76 %.

Respondents include the individuals working in all management levels. The qualification of respondents ranged from high school to post graduate and 82 % of the sample consisted of graduate employees.

The mean age of the respondents is 31.71 years with (S.D = 8.26) and 69 % of the respondents were male, which indicates positive growth of female participation in different organizations of Pakistan as compared to reported 6% female participation by (Raja et al., 2004).

Measures

All measures were collected through self reported instrument in which participants responded on 5 or 7 point likert scales. Reported values above the mean considered as higher level of constructs in the questionnaire. As English is the medium of instruction in Pakistani education institutions. Few other studies are conducted in English in Pakistani context like (Butt, Choi & Jaeger, 2005; Raja et al., 2004). This raised our confidence in not using translated scales, to avoid translation and back translation issues.

Job Satisfaction

Job satisfactions were measured using hoppock’s (1935) 04 items scale. A sample item is: “how much of the time you feel satisfied with your job”. Cronbach’s alpha of this scale is (.86).

Affective Commitment

Affective commitment was measured using Meyer and Allen's (1990) eight-item scale. Responses were made on a five-point scale ranging from 1= ‘strongly disagree’ to 5 = ‘strongly agree’. A sample item is” “I would be very happy to spend the rest of my career in this organization”. The Cornbach’s alpha of this scale in current data found (.85).

Psychological Contract

20 items Psychological Contract Inventory (PCI) by Rousseau (2000) was used to measure psychological contracts.” Relational and Transactional contracts were measured using 10 items for each contract type. Responses were made on 5–point likert scale ranging from 1= ‘strongly disagree’ to 5= ‘strongly agree’. The sample item for relational contract was, “Is responsive to employee concerns and well-being “and for transactional contract it was, “pay me only specific duties I perform”. The alpha reliabilities for relational contract found (.89) and for transactional contract it was found (.89).

Turnover Intention

Turnover intention was measured using 03 items scale by Cammann, fichman, Jenkins and klesh (1982). Responses were made on 5–point likert scale and the sample item included was, “I often think about leaving the organization”. Cornbach alpha for this measure was found (.86).
Control Variable

The results of One-way ANOVA showed significant differences in dependent and mediator variables with three demographic factors; Organization type, designation and field of specialization. All other demographic factors like age, gender and tenure revealed highly insignificant impact on mediator and job outcomes. Therefore, only three variables; organization type, designation and field of specialization were entered into the equation as control variable, when we performed Multiple Regression in this study.

RESULTS
Descriptive Statistics and Correlations

In the table 1 of this study mean and correlations with Alpha reliabilities are reported in bold parenthesis in front of each variable. The descriptive analysis results revealed mean value for affective commitment 2.99 (S.D = 1.11) and the mean value for outcomes were 4.47 (S.D = 1.25) for job satisfaction and 3.17 (S.D = 0.77) for intention to leave.

Affective commitment of the employees and the level of job satisfaction demonstrated strong positive relationship (r = 0.71, p< .001) consistent with (r = 0.67, p < .01) reported by Raja et al. (2004). The association of commitment and intention to quit was (r = - 0.73 p < .001) which is consistent with the reported correlation values (r = - 0.66, p < .001) by Raja et al. (2004). The mean of the relational contract found 3.12 (S.D = 0.75) and for transactional contract 3.15 (S.D = 0.83). The correlation value between psychological contracts and turnover intention found (r = - 0.56, p < .001) for relational and (r = 0.61, p < .001) for transactional contract. We found strong significant support for all main effect hypothesis from correlation matrix analysis reported in table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>S.D</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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<td>2.OrgName</td>
<td>4.37</td>
<td>2.58</td>
<td>.17</td>
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<td>3.Designation</td>
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<td>2.49</td>
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<td>5.Specialization</td>
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<td>.40</td>
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<tr>
<td>6.Transactional Contract</td>
<td>3.15</td>
<td>.83</td>
<td>-.15</td>
<td>-.12</td>
<td>-.22</td>
<td>-.1</td>
<td>-.07</td>
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<td>7.Relational Contract</td>
<td>3.12</td>
<td>.75</td>
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<td>-.09</td>
<td>-.09</td>
<td>0</td>
<td>-.08</td>
<td>-.49</td>
<td></td>
<td></td>
<td></td>
<td>(.89)</td>
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<tr>
<td>8. Affective Commitment</td>
<td>2.99</td>
<td>1.11</td>
<td>.12</td>
<td>0</td>
<td>-.19</td>
<td>.08</td>
<td>-.08</td>
<td>-.61</td>
<td>.57</td>
<td></td>
<td></td>
<td>(.85)</td>
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<tr>
<td>9. Turnover Intention</td>
<td>3.17</td>
<td>.77</td>
<td>-.14</td>
<td>-.08</td>
<td>.18</td>
<td>-.07</td>
<td>-.08</td>
<td>.61</td>
<td>-.56</td>
<td>-.73</td>
<td></td>
<td>(.86)</td>
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<td>10.Job Satisfaction</td>
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<td>.04</td>
<td>-.62</td>
<td>.48</td>
<td>.71</td>
<td>-.74</td>
<td>(.86)</td>
</tr>
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</table>
Regression Analysis

Table 2 show results of hierarchical regression analysis. In first step of regression analysis we entered organization types, specialization, and designation as control variables in the equation. In the second step we regressed satisfaction of employees and intent to quit on psychological contract types.

Psychological Contract and Job Outcomes

Hypothesis 1(a) predicts that relational contract will be positively related to job satisfaction and hypothesis 1(b) proposes the negative relationship between transactional contract and job satisfaction. We regressed job satisfaction on both of these contract types and results revealed that job satisfaction ($\beta = .47, p < .001$) was positively related to relational contract and negatively related ($\beta = -.60, p < .001$) to transactional contract. These strongly significant empirical support confirmed our first main effect hypothesis which was found consistent with previous literature on psychological contract and job satisfaction.

Hypothesis 2(a) proposed negative relationship between relational contract and turnover intention. The results provided strong empirical support of our hypothesis. Turnover intention ($\beta = -.56, p < .001$) found negatively related to relational contract and ($\beta = .59, p < .001$) was related positively with transactional contract.

Affective Commitment and Job Outcomes

Hypotheses 3(a) predict positive relationship between affective commitment and job satisfaction and 3(b) predicts negative relationship between affective commitment and intent to quit. To test these relationships both of the outcomes were regressed on affective commitment. Regression results significantly supported our hypotheses, affective commitment found ($\beta = .69, p < .001$) positively related to job satisfaction and ($\beta = -.73, p < .001$) negatively related to intention to quit. These highly significant results provided strong support of our hypotheses 3(a) and 3(b).

Psychological Contracts and Affective Commitment

Hypothesis 4(a) proposed the positive relationship between relational contract and affective commitment and hypothesis 4(b) proposed the negative relationship between transactional contract and affective commitment. To test these predicted relationships affective commitment was regressed on both of psychological contract types. The results provided strong empirical evidence in support of our hypotheses 4(a) and 4(b).

For mediation analysis, in step 1, we entered control variables. In second step, the mediator affective commitment was entered. In the third step, psychological contract was entered in equation and was regressed on job satisfaction and turnover intention.
Mediation Analysis

We predicted that affective commitment mediates the relationship between contract types and outcomes (job satisfaction and turnover intention). According to Baron and Kenny (1986) mediation can be established with three regression tests. First contract types (independent variable) should be related to affective commitment (mediator). Second, contract types and mediator (affective commitment) should be related to both outcomes. Third when both contract type (independent variables) and affective commitment (mediator) are concurrently incorporated in regression equation, then the relationship between contract types (independent variables) and the outcomes should be considerably weaker than the main effects of predictor and criterion variables.

For mediation analysis, in step 1, we entered control variables. In second step, the mediator affective commitment was entered. In the third step, psychological contract was entered in equation and was regressed on satisfaction with intention to quit.

We regressed job satisfaction, affective commitment and relational contract together as per conditions prescribed by Barron and Kenny (1986). As shown in table 3, results of multiple regression revealed significant reduction in variances (from $\beta = .47**$ to $.05$ n.s and $\Delta R^2 = .21$, to $\Delta R^2 = .05$). These result confirmed full mediation condition prescribed by Barron and Kenny (1986) providing support of our hypothesis 5(a).

We regressed job satisfaction, affective commitment and transactional contract together as per conditions prescribed by Barron and Kenny (1986). As shown in table 3, results of multiple regression revealed no significant reduction in variances (from $\beta = -.60***$ to -.55**). These result unable to fulfill mediation condition prescribed by Barron and Kenny (1986) providing no support and reject our hypothesis 5 (b).

Hypothesis 6 (a) states that affective commitment mediate the relationship between relational contract and turnover intention. To test the mediating effect of affective commitment, we regressed turnover intention, affective commitment, and relation contract together. Results in
Table 3 shows significant drop in variances (from $\beta = -.56^{***}$ to $-.17$ n.s and $\Delta R^2 = .33$, to $\Delta R^2 = .05$). These result confirmed full mediation condition prescribed by Barron and Kenny (1986) providing support of our hypothesis 6 (a).

Hypothesis 6 (b) states that affective commitment mediate the relationship between transactional contract and turnover intention. To test the mediating effect of affective commitment, we regressed turnover intention, affective commitment, and transactional contract together. Results in table 3 shows no significant drop in variances (from $\beta = -.59^{***}$ to $.57^{***}$). These result unable to fulfill mediation condition prescribed by Barron and Kenny (1986) providing no support and reject the hypothesis 6 (b).

N= 302 Organizational Types, Specialization and Designation was used as control Variable

### Table 3

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Job Satisfaction</th>
<th></th>
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<td>B</td>
<td>$R^2$</td>
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<td>Control Variables</td>
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<td>Step 2</td>
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<tr>
<td>Transactional Contract</td>
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<td>.4</td>
<td>.34^{***}</td>
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<td>.35</td>
<td>.21^{***}</td>
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<td>.51</td>
<td>.46</td>
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<td>.52</td>
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<tr>
<td>Transactional Contract</td>
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<td>.26</td>
<td>.25^{**}</td>
<td>.57^{***}</td>
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<td>Relational Contract</td>
<td>.05</td>
<td>.57</td>
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<td>-.17</td>
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</table>

result unable to fulfill mediation condition prescribed by Barron and Kenny (1986) providing no support and reject the hypothesis 6 (b).
DISCUSSION

The purpose of this research was to investigate the motivational and emotion antecedents of job satisfaction and turnover intention. In doing this, we endeavor to relate the various construct of organizational behavior such as psychological contract, affective commitment satisfaction on the job and intention to quit.

Overall, our finding/results give strong support for all hypotheses. We found that psychological contract (relational and transactional) significantly related to job outcomes (Hypotheses 1,1a,2,2a). Psychological contract is related to job outcome such as job satisfaction and turnover intention. A Meta analysis Zhao et al., (2007) supports the relationship of psychological contract with job outcomes such as job satisfaction turnover intention and citizenship behavior. We also found that psychological contract (relational and transactional contract) is significant linked with commitment (Hypothesis 4,4a) and affective commitment is significantly related to job satisfaction and turnover intention (Hypothesis 3,3b). The contribution of this research is that affective commitment mediates the relationship between psychological relational contract and job outcomes (Hypothesis 5a, 6a). These finding demonstrate that when promise build, the employees in workplace feel emotional attachment with the organizations which increase job satisfaction and decrease their turnover intention.

Limitation of Study

This research has several limitations. First, this research in cross sectional in nature, we believe that longitudinal study would better explain these relationships. Second, all findings were based on self reported, while previous studies also used self reported measure (1996; Morrison & Robinson, 1997; Robinson & Morrison, 2000) so there is a possibility common method error.

Practical Implementation & Future Research

The results of our study have practical implication for managers and employees, our finding suggest that managers should focus on employee’s satisfaction, and it would be possible if employees feel emotional attachment with the organization, further, managers and employees should build and fulfill psychological contracts that’s leads to affective commitment which increase employees satisfaction and reduce turnover intention.

Our research based on contract-commitment aftermath. This model should be tested with other outcomes such as organizational citizenship behavior, job performance, creative performance and workplace deviance. Furthermore possible moderating variable regarding contracts-commitment and commitment-outcome should be studied in future research. Cross sectional and longitudinal research design with more outcomes should empirically tested in different cultures.

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