

Causes and Consequences of Psychological Contract Breach among Grassroots Employees in Shanghai's Manufacturing Industry During the Pandemic

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Abstract

The appearance of the pandemic has led to a temporary paralysis of the world's manufacturing industry. Measures such as lowering employee wages, canceling employee promotion mechanisms, adopting remote work, uncompensated remote overtime, layoffs, and canceling employee benefits were mainstream methods at the time. Shanghai, where China's manufacturing industry is most concentrated, has to conduct online courts to deal with a large number of disputes between employees and companies. This study used the SEM structural equation model to conduct statistical analysis on 303 valid questionnaires of Shanghai grassroots employees to identify the factors that affect employees' perception of psychological contract violation and the complex consequences caused by such psychological contract violation. The final study found that the lack of distributive justice led to an increase in some employees' perception of corporate psychological contract violation, which in turn reduced their satisfaction and increased their willingness to leave. Satisfaction positively and significantly affects employee performance. However, the intention to leave does not affect employee performance. The research results call on companies to pay more attention to distributive justice and improve satisfaction and performance by reducing employees' perception of psychological contract violation.

Keywords: Human Resource, Psychological Contract Breach, Manufacturing Industry, Employee Performance, Employee Satisfaction

Introduction

The effective integration of internal organizations in manufacturing companies is always in demand to provide products and services that meet quality standards and ensure the willingness of stakeholders in the supply chain to cooperate stably (Basana et al., 2025). Human resource practices in this area will help organizations make better judgments in a changing business environment and serve the organization's interim goals and overall goals

through a continuous and advantageous competitive product supply (Kin et al., 2022). Especially when the company is in financial distress, companies are required to quickly obtain a simple strategic system that can turn the situation around, maintain their narrow survival or expand profits again (Setyopurnomo et al., 2025).

During COVID19, most companies directly adopted strategies such as salary cuts, layoffs, remote work, cancellation of benefits, and disregard for employee health to reduce costs or maintain production (International Labour Organization, 2020, World Health Organization, 2021, International Labour Organization, 2022; Shipman et al., 2023). The flaws of rapid, environmentally responsive strategies that lack stakeholder participation are obvious. The dissatisfaction, intention to leave, and work burnout of employees in high-risk environments have increased significantly (Bingöl et al., 2025; Galanis et al., 2025). They desire adequate compensation, resource allocation, training, and organizational support, rather than being placed in an unequal relationship between input and output (Gates et al., 2024).

The impact of the pandemic on China's manufacturing industry, especially Shanghai, is tantamount to a huge test for the world's product supply. China is the world's largest exporter, providing about 30.2% of manufacturing-related products or services to the world in 2022. Among the 500 major industrial products, 40% of the products have long been ranked first in the world (Xinhua News Agency, 2023; State Council of China, 2024). Adams (2022) asserts that Shanghai is one of the most significant manufacturing hubs in China, encompassing production facilities of ten globally renowned companies. This region accounts for 28.7% of the world's manufacturing output, with Shanghai being a favored location for leading manufacturing enterprises in China (Adams, 2022).

Manufacturing industries in Shanghai and elsewhere have seen a rise in negative employee sentiment and boycotts (Hong, 2022). Shanghai, being one of China's fastest-growing and most heavily affected cities during the pandemic, particularly in the manufacturing sector (Zhou et al., 2022). In 2022, Shanghai witnessed widespread instances of closed management (Zhou et al., 2022) and an increase in salary and labor contract disputes (People's Court Daily, 2022).

This study attempts to find out whether the emergency management plans of Shanghai manufacturing enterprises during COVID-19 all point to an increase in employees' perception of psychological contract violation, and whether this strategy will lead to a decrease in employee performance. There is an interesting contradiction here. China is a high power distance country (Shengnan & Hallinger, 2021). People generally do not refuse tasks assigned by their leaders, which may have a positive impact on performance. In addition, China generally adopts piece-rate pay and punishment policies, which may effectively alleviate the negative impact of psychological contract violation on performance, making the impact of employee emotional changes on performance ineffective. Therefore, this study is conducive to the manufacturing industry to formulate reasonable human resource policies in the future environmental changes, especially to maintain a balance between lean management and employee performance. It is worth mentioning that as of January 2025, neither the Web of Science nor the Scopus databases have included any research on the impact of the pandemic on psychological contract violations among manufacturing employees. This finding makes it a significant and valuable study.

Literature Review

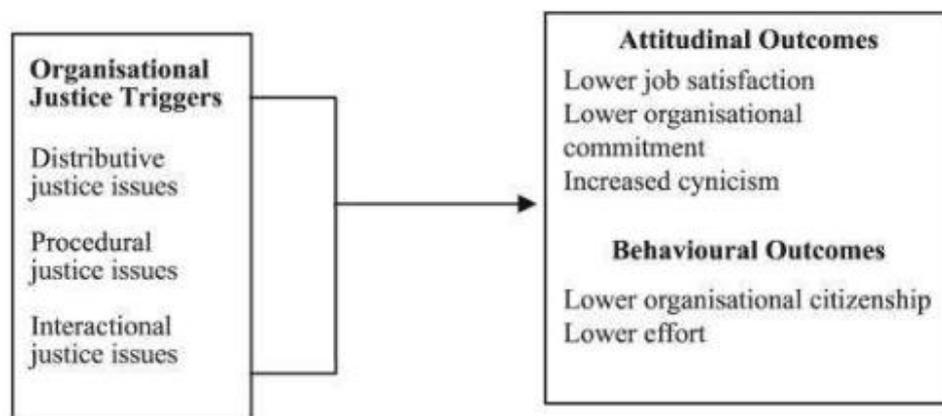
Psychological Contract

The core of the psychological contract is the unwritten, implicit mutual expectations of employees and organizations regarding their responsibilities and commitments to each other (Rousseau, 1989). These expectations may be formed by fair compensation, caring support, employee empowerment, or a positive work environment provided by the organization (Estay et al., 2024), but are essentially the subjective perception of the exchange relationship between the two parties, rather than a simple emotional connection. A high level of psychological contract is significantly positively correlated with employee work engagement such as motivation and efficiency, emotional commitment such as loyalty and satisfaction, and organizational citizenship behavior such as voluntarily helping colleagues and maintaining corporate reputation (Kutaula et al., 2020). In addition, it can also reduce the intention to leave (Griep & Vantilborgh, 2023).

Psychological Contract Violation is an intense negative emotional reaction (such as anger and betrayal) caused by employees' perception that the organization has not fulfilled its promises. Its triggers may include active categories, such as the organization's deliberate neglect of responsibilities and passive categories, such as promises that are broken due to management negligence or insufficient communication (Conway & Briner, 2022). During the pandemic, factors such as personal safety, health, job opportunities, job security, work tasks, mandatory use of digital technologies, remote work, salary changes, layoffs, and unfair leave practices may be perceived by employees as triggers for negative changes in the psychological contract (Lopez & Fuiks, 2021).

The Psychological Contract Violation Model

Judy et al. (2003) stated that psychological contract violation is an event that frequently occurs in the management field and needs to be treated correctly, which has a negative impact on employees' emotions and behaviors. In the view of Judy et al. (2003), the emergence of distributive justice issues, procedural justice issues, and interactional justice issues in organizations may cause employees' perception or evaluation of the company to change from positive to negative. The reduction of psychological contracts or the increase in psychological contract violations results in increased employee turnover, burnout, work anxiety and work stress, as well as a decrease in employee satisfaction, employee loyalty, employee morale, employee happiness and employee performance (Arasli et al., 2019; Duran et al., 2019; Yang et al., 2020; De Clercq et al., 2021).



Factors Leading to Psychological Contract Violation

Distributive justice can be understood as the fair distribution of rewards and burdens, including the distribution of resources that are considered valuable by employees, such as rights, honor, wealth, resources, tasks, benefits, opportunities, and time (Jasso et al., 2016; Lee et al., 2022). Common distributive justice issues include overtime without financial compensation, which increases the perception of unfairness of the company and leads to emotional disconnection between employees and the organization (Nimmo, 2018; Colquitt, 2021). The mismatch between effort and income is a common form, in which victims believe that the organization has not complied with its initial promise to them, thus forming a psychological contract violation (Estreder et al., 2020; Conway & Briner, 2022). Improper resource allocation issues such as layoffs, salary cuts, unsafe production, and less pandemic protection equipment in Shanghai manufacturing companies may cause an increase in employees' perception of psychological contract violations. During the pandemic, some companies cut benefits but increased workload, and employees felt that the organization had violated its implicit promise to protect employee well-being (Lee et al., 2022).

H1: There is a relationship between distributive justice and employee's psychological contract violation in the manufacturing industry in Shanghai, China.

Procedural justice includes stakeholders' control over decision-making outcomes, consistency of procedures for different employees, biases of procedure makers, integrity of procedures, rationality of procedures, modifiability of procedures, opportunities for stakeholders to express themselves, transparency of procedures, consistency of rules, accuracy of decision-making information, and ethics (Vermunt & Steensma, 2016; Folger & Stoverink, 2022). During the pandemic, companies may lack consultation with employees on salary cuts, lack reasonable explanations for remote work or job adjustments, insufficient reasons for dismissal of some employees, and refusal to promote employees who meet the conditions for promotion. In the context of the pandemic, the perception of psychological contract violation has seen a widespread increase in the crisis of procedural justice (Lee et al., 2022).

H2: There is a relationship between procedural justice and employee's psychological contract violation in the manufacturing industry in Shanghai, China.

The Consequences of Psychological Contract Violation

Investigations into psychological contract breaches are based on negative "chain reactions". Continuous deprivation of resources by the organization can intensify employees' hostile attitudes, leading them to feel a sense of injustice, anger, wrongdoing, and resentment, even leave (Morrison & Robinson, 1997). Psychological contract breaches always lead to emotionally wounded employees leaving the organization or having a higher intention to leave (Azeem et al., 2020). Ramlawati et al. (2021) summarized that employees' turnover behavior and intention are influenced by resistance to the current work environment. This resistance, driven by a weakening of enthusiasm and determination, can act as a catalyst, prompting employees to seek a more suitable "habitat" elsewhere (Lazzari et al., 2022; Huang et al., 2022). In the context of the COVID-19 pandemic, salary reductions may trigger discontentment among employees, exacerbating turnover intentions. Prior research has consistently validated this perspective (Lin et al., 2019; Robertson, 2021), emphasizing the critical link between salary satisfaction and employee retention. As individuals' willingness to quit increases, their attitude towards their work becomes increasingly casual, resulting in a significant decrease in performance (Otache & Inekwe, 2022).

H3: There is a relationship between psychological contract violation and employee's intention to leave in the manufacturing industry in Shanghai, China.

H4: There is a relationship between intention to leave and employee's performance in the manufacturing industry in Shanghai, China.

Employee satisfaction is a comprehensive concept that reflects the extent to which employees' expectations of what the organization provides, such as work environment, tasks, compensation, benefits, communication environment, punishment system, promotion opportunities, sense of achievement, and sense of ownership, are in line with their psychological expectations (Hackman & Oldham, 1976). Equity theory aptly explains how individuals form cognitive evaluations when weighing gains and losses, influencing their satisfaction levels (Hosain, 2022). Ampofo (2021) found a negative correlation between PCV and employee satisfaction. The failure of an enterprise to give enough feedback will lead to an increase in employees' perception of unfairness and a decrease in satisfaction. Violation of the psychological contract triggers employees' negative emotions, affective states, and cognitions, leading to reduced organizational citizenship behavior, organizational commitment, performance, loyalty, and satisfaction (Li et al., 2006; Wang, 2011). The results of the Hawthorne experiment confirmed the positive impact of employees' positive emotions on personal performance and emphasized the impact of employee satisfaction and negative emotions on organizational productivity (Ebadah, 2021).

H5: There is a relationship between psychological contract violation and employee satisfaction in the manufacturing industry in Shanghai, China.

H6: There is a relationship between employee satisfaction and employee's performance in the manufacturing industry in Shanghai, China.

Power distance is the degree of social acceptance of inequality. For example, leaders and subordinates in an enterprise can be regarded as two parties with high and low power. Individuals with lower power tend to take submissive and loyal roles and follow the existing power hierarchy (Bochner & Hesketh, 1994). They usually violate the arrangements of the leaders less, and execute to the maximum extent and ignore personal resistance to avoid angering the leaders (Bochner & Hesketh, 1994). In the Chinese manufacturing industry with high power distance, even if employees are dissatisfied with their salary, they may still maintain basic performance due to cultural norms of obedience (Chen et al., 2023).

H7: Power distance moderates the relationship between employee satisfaction and employee performance in the manufacturing industry in Shanghai, China.

Research Methods

The target group of this study is the basic workers in Shanghai's manufacturing industry. This group generally refers to employees engaged in production activities in manufacturing workshops, such as those engaged in production, assembly, quality inspection, logistics, maintenance, and CNC-related fields (Robinson & Chitra, 2020). During the pandemic, they faced common problems with performance bonuses and basic salary cuts (Secard, 2024). The interviewees were limited to Chinese citizens (Shanghai or non-Shanghai citizens) who met the employment relationship of fixed or non-fixed-term labor contracts. Employees who signed temporary labor contracts, labor dispatch, hourly workers, and outsourcing contracts were not included in the survey. This method helps to identify the impact of corporate strategy changes on employee emotions and behaviors in regular employment relationships.

The sample size is based on the measurement standard of Krejcie and Morgan (1970), which depends on the number of manufacturing practitioners in Shanghai. In recent years, Shanghai, China has not counted the number of manufacturing population, but as early as 2017, the "Shanghai Manufacturing Enterprise Employment Status Report" showed that the number of manufacturing employees was about 1.898 million, which has exceeded one million (The Paper, 2017). For a total population of more than 1 million eligible, the sample size should be 385 or more (Krejcie & Morgan, 1970). Ultimately, the effective sample size collected by the study should be ensured to be more than 30% of the sample size (Hair et al. 2010). The effective sample data participating in this study should be greater than 116. Questionnaires with logical flaws, blank questionnaires, and questionnaires that do not meet the research's restrictions on the identity of the interviewee group are invalid questionnaires and should be deleted (Sekaran, 2003; Hair et al. 2010).

The Self-Administered Questionnaire uses the 5-point Likert scale, which is suitable for people with low education and low psychological perception sensitivity. The low psychological differentiation interval of the 5-point Likert scale is conducive to maintaining a high filling efficiency. The Self-Administered Questionnaire reduces the difficulty of filling in, avoids reading difficulties and dependence on the questionnaire distributor (Joshi et al., 2015; Leon et al., 2022). The study used a combination of electronic questionnaires and paper questionnaires, using judgment sampling techniques to visit manufacturing-concentrated areas such as Pudong New Area, Jiading District, Songjiang District, Baoshan District, and Minhang District in Shanghai, as well as social media groups named after Shanghai's manufacturing industry to distribute electronic questionnaires. In the end, 180 electronic questionnaires were collected and 210 hand-filled questionnaires were collected. 87 handwritten questionnaires were incomplete, and 303 valid questionnaires remained after deletion.

The Procedural Justice research instrument is inspired by Moorman (1991). The Distributive Justice research instrument design is inspired by Moorman (1991) and Curry et al. (1986). The questionnaire provider for Psychological Contract Violation is Robinson and Wolfe Morrison, who described the measurement dimensions of Psychological Contract Violation in their 2000 journal. Employee Satisfaction is adapted from the research design of Curry et al. (1986). Intention To Leave is derived from the measurement tool of Kumar, M. D., & Govindarajo (2014). The questionnaire design for Power Distance and Employee Performance is adapted from the measurement scales of Thien et al. (2014) and Turnley et al., (2003).

Data Analysis

Descriptive Statistics Analysis

	N		Mean		Std. Deviation		Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Statistic	Std. Error	Statistic	Std. Error	Statistic	Std. Error
PJ	303	3.2268	.05215	.90774	-.242	.140	-.640	.279		
DJ	303	3.2683	.05289	.92064	-.293	.140	-.634	.279		
PCV	303	3.2442	.05369	.93451	-.252	.140	-.640	.279		
ES	303	3.2131	.05762	1.00303	-.244	.140	-.972	.279		
ITL	303	3.3853	.06024	1.04861	-.429	.140	-.807	.279		
EP	303	3.5702	.03726	.64852	-.023	.140	-.751	.279		
PD	303	3.4653	.04960	.86347	-.542	.140	-.313	.279		

The Likert Scale interval of the procedural justice (mean 3.2268) and distributive justice (3.2683) of the organization during the pandemic for grassroots workers in Shanghai's manufacturing industry in China is between 2.61 and 3.40. According to Pimentel (2010), the results belong to Neutral/Uncertain. This proves that grassroots workers in Shanghai's manufacturing industry are less sensitive to corporate distributive justice and procedural justice, and have no major bias. They neither deny nor affirm that their organizations has made decisions that violate the interests of workers in a specific period. They also maintain a relative balance in psychological contract violations, employee satisfaction, and intention to leave, have no good feelings about the company and no strong intention to leave.

Another reason for the median Uncertain result points to the Standard Deviation being greater than 0.9. People maintain a high degree of disagreement in various opinions, and there may have significant management differences or individual cognitive differences in different companies. Guest (2019) reviewed 105 human resource practice studies and found that personal background, cognition and experience affect their perception of corporate decisions. The low sensitivity may be related to the long-term small rights of grassroots employees. They are often overlooked in major decisions. Workplace Insight (2021) found that only 47% of employees feel that the company pays attention to the interests of grassroots employees when making decisions.

Employees in Shanghai, China, have always maintained a high level of performance, and they believe that they have completed various tasks accurately and on time (Mean 3.5702). This result may be forced by the company's production efficiency requirements. China is the world's largest exporter, providing about 30.2% of manufacturing-related products or services to the world in 2022. Among the 500 major industrial products, 40% of the products have long been ranked first in the world (Xinhua News Agency, 2023; State Council of China, 2024). The model often used in the manufacturing industry is piece-rate compensation, where people's work efficiency determines their income, and failure to complete tasks will be punished (Jiang & Cai, 2022).

Employees may also be affected by power distance. High power distance encourages the party with less power to obey unconditionally, and this obedience helps them work hard to complete the tasks assigned by the other party (Wang et al., 2022). They tend to show less resistance and questioning, and actively complete tasks within or outside the position (Pervaiz et al., 2024). A survey at the end of 2024 found that the average weekly working hours of Chinese employees were as high as 49 hours (Statista, 2025). Overtime in the context of unequal power is usually uncompensated (Dong & Yan, 2022). This study may have reached a conclusion that has not been discovered in the past, that is, lower satisfaction and higher intention to leave do not affect employees' ability to maintain high performance.

Measurement Model Evaluation*Reliability and Validity Testing*

	Cronbach's alpha	Composite (rho_a)	Reliability	Composite (rho_c)	Reliability	Average Extracted	Variance
DJ	0.949	0.967		0.958		0.764	
EP	0.929	0.936		0.939		0.544	
ES	0.955	0.957		0.963		0.790	
ITL	0.927	0.929		0.948		0.820	
PC							
V	0.954	0.955		0.962		0.758	
PD	0.921	0.972		0.933		0.698	
PJ	0.934	0.940		0.946		0.716	

The measurement of Cronbach's Alpha, Composite Reliability (rho_a), and Composite Reliability (rho_c) is intended to clarify whether different items are measuring and expressing the same Latent Construct. Usually, values greater than 0.7 are considered to have high internal consistency (Taber, 2018). All variables meet the minimum requirements of the study and show high internal consistency (>0.9). Average Variance Extracted is used to analyze whether different items in the Latent Construct are related, that is, whether the items express similar concepts. Usually, values greater than 0.5 are considered valid (Hair et al., 2019). The research results meet the minimum conditions, and the employee satisfaction AVE (0.544>0.5) performs poorly but still meets the requirements.

Heterotrait-Monotrait Ratio of Correlations (HTMT)

	DJ	EP	ES	ITL	PCV	PD	PJ	PD x ES
DJ	0.778							
EP	0.856	0.830						
ES	0.404	0.281	0.497					
ITL	0.350	0.200	0.348	0.850				
PCV	0.267	0.129	0.272	0.763	0.774			
PD	0.846	0.747	0.836	0.400	0.312	0.237		
PJ	0.283	0.217	0.285	0.117	0.165	0.266	0.273	

HTMT is used to determine the similarity between latent variables. A lower similarity indicates that the variables do not overlap, and a higher similarity indicates that the meanings expressed by the variables in the questionnaire design are close or identical (Henseler et al., 2015). Generally speaking, the HTMT value generally accepted in the research field is 0.85 or below 0.9, and 0.85 is often used as the highest acceptable range for confirmatory research (Hair et al., 2017). In this study, employee performance and Distributive Justice may have similar conceptual questionnaire design flaws (0.856>0.85). However, more studies have shown that HTMT below 0.9 is acceptable (Henseler et al., 2015; Voorhees et al., 2016).

Fornell-Larcker

	DJ	EP	ES	ITL	PCV	PD	PJ
DJ	0.874						
EP	0.738	0.737					
ES	0.860	0.728	0.889				
ITL	-0.389	-0.262	-0.467	0.906			
PCV	-0.347	-0.188	-0.333	0.819	0.871		
PD	-0.261	-0.107	-0.267	0.698	0.712	0.836	
PJ	0.840	0.703	0.816	-0.378	-0.301	-0.231	0.846

The diagonal line in the Fornell-Larcker table is the square root of AVE, which is used to evaluate the discriminant validity between latent variables. The square root of AVE of a specific latent variable should be greater than the correlation coefficient between the variable and other variables to prove that the variable has the most significant impact on itself, which is different from other variables (Afthanorhan et al., 2021). In the results of this study, the square root of AVE of all variables is the maximum value in the column, which is higher than the correlation coefficient between the variable and other variables in the same column. The discriminant validity meets the research requirements.

Collinearity Statistics

	VIF		VIF
DJ1	2.633	ITL1	3.069
DJ2	3.259	ITL2	4.451
DJ3	3.945	ITL3	2.619
DJ4	3.248	ITL4	3.716
DJ5	3.059	PCV1	2.859
DJ6	3.773	PCV2	3.093
DJ7	3.655	PCV3	3.741
EP1	1.858	PCV4	3.502
EP10	2.560	PCV5	3.829
EP11	2.175	PCV6	3.494
EP12	2.449	PCV7	4.228
EP13	2.098	PCV8	4.114
EP2	2.394	PD1	1.983
EP3	2.290	PD2	2.834
EP4	2.485	PD3	2.787
EP5	2.395	PD4	2.820
EP6	1.433	PD5	3.645
EP7	2.148	PD6	2.819
EP8	2.521	PJ1	1.890
EP9	2.484	PJ2	2.871
ES1	2.725	PJ3	2.847
ES2	3.362	PJ4	3.225
ES3	3.726	PJ5	3.054
ES4	4.253	PJ6	2.530
ES5	4.323	PJ7	2.896
ES6	5.794	PD x ES	1.000
ES7	3.665		

Variance inflation factor is used to detect whether the measurement items in the latent variable are independent, or have similar or identical meanings to other measurement items (Thompson et al., 2017). Generally, $VIF < 5$ is accepted, indicating that the meanings expressed by each measurement item in the whole are unique and there are no significant similarities between them (James et al., 2021). In this study, the VIF of the sixth measurement item of employee satisfaction was $5.794 > 5$, indicating that the measurement item was similar to other items in the questionnaire. However, $VIF < 10$ indicates that the similarity between measurement items has not yet reached the severity of immediate treatment (Cohen et al., 2003).

External Loads

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic (O/STDEV)	P-Value
DJ1 <- DJ	0.858	0.859	0.016	53.987	0.000
DJ2 <- DJ	0.869	0.868	0.016	54.160	0.000
DJ3 <- DJ	0.891	0.890	0.015	61.208	0.000
DJ4 <- DJ	0.870	0.869	0.018	48.959	0.000
DJ5 <- DJ	0.851	0.850	0.021	40.857	0.000
DJ6 <- DJ	0.900	0.901	0.012	75.312	0.000
DJ7 <- DJ	0.878	0.877	0.019	46.742	0.000
EP1 <- EP	0.615	0.613	0.050	12.277	0.000
EP10 <- EP	0.776	0.776	0.023	34.238	0.000
EP11 <- EP	0.725	0.724	0.030	24.442	0.000
EP12 <- EP	0.780	0.780	0.020	38.694	0.000
EP13 <- EP	0.729	0.728	0.028	25.618	0.000
EP2 <- EP	0.762	0.761	0.027	28.088	0.000
EP3 <- EP	0.748	0.747	0.029	25.813	0.000
EP4 <- EP	0.776	0.776	0.024	31.935	0.000
EP5 <- EP	0.787	0.787	0.026	30.783	0.000
EP6 <- EP	0.526	0.525	0.057	9.202	0.000
EP7 <- EP	0.744	0.744	0.025	30.206	0.000
EP8 <- EP	0.799	0.800	0.023	34.453	0.000
EP9 <- EP	0.767	0.768	0.021	37.067	0.000
ES1 <- ES	0.840	0.839	0.020	41.929	0.000
ES2 <- ES	0.870	0.869	0.017	50.615	0.000
ES3 <- ES	0.888	0.887	0.015	60.431	0.000
ES4 <- ES	0.897	0.896	0.012	71.842	0.000
ES5 <- ES	0.905	0.905	0.014	65.387	0.000
ES6 <- ES	0.933	0.933	0.008	122.225	0.000
ES7 <- ES	0.885	0.885	0.012	74.437	0.000
ITL1 <- ITL	0.895	0.894	0.018	51.029	0.000
ITL2 <- ITL	0.935	0.935	0.007	135.275	0.000
ITL3 <- ITL	0.872	0.873	0.020	44.438	0.000
ITL4 <- ITL	0.919	0.919	0.011	82.232	0.000
PCV1 <- PCV	0.819	0.819	0.024	33.679	0.000
PCV2 <- PCV	0.850	0.850	0.017	48.843	0.000

PCV3 <- PCV	0.887	0.887	0.013	69.238	0.000
PCV4 <- PCV	0.876	0.875	0.014	62.493	0.000
PCV5 <- PCV	0.890	0.890	0.013	68.958	0.000
PCV6 <- PCV	0.851	0.851	0.022	38.874	0.000
PCV7 <- PCV	0.895	0.895	0.012	73.549	0.000
PCV8 <- PCV	0.893	0.893	0.012	72.580	0.000
PD1 <- PD	0.853	0.740	0.322	2.653	0.008
PD2 <- PD	0.850	0.770	0.220	3.870	0.000
PD3 <- PD	0.842	0.762	0.218	3.863	0.000
PD4 <- PD	0.800	0.739	0.198	4.041	0.000
PD5 <- PD	0.843	0.772	0.209	4.035	0.000
PD6 <- PD	0.824	0.744	0.237	3.475	0.001
PJ1 <- PJ	0.782	0.784	0.029	27.144	0.000
PJ2 <- PJ	0.852	0.850	0.021	41.353	0.000
PJ3 <- PJ	0.855	0.854	0.018	47.539	0.000
PJ4 <- PJ	0.883	0.883	0.011	77.128	0.000
PJ5 <- PJ	0.860	0.858	0.019	45.017	0.000
PJ6 <- PJ	0.832	0.829	0.022	37.624	0.000
PJ7 <- PJ	0.855	0.853	0.020	43.686	0.000
PD x ES ->	1.000	1.000	0.000	n/a	n/a
PD x ES					

External loading focuses on the ability of measurement items to influence variables, or the contribution of each measurement item to the latent variable (Hair et al., 2019). Generally, the factor loading of measurement items focuses on three aspects: Outer Loadings, T-Statistic and P-Value. Original Sample >0.7 is usually considered to indicate that the measurement item has good influence (Hair et al., 2019). This study meets this condition, and all measurement items are greater than 0.7. The P-Value of all measurement items is less than 0.05, the measurement results are accurate, and the research error is small. $T \geq 1.96$ indicates that the measurement item has a significant impact on the latent variable (Winship & Zhuo, 2020). This study meets this condition, and all measurement items have a significant impact on the latent variable.

Structural Model Evaluation

Correlations

	DJ	EP	ES	ITL	PCV	PD	PJ	PD x ES
DJ	1.000							
EP	0.738	1.000						
ES	0.860	0.728	1.000					
ITL	-0.389	-0.262	-0.467	1.000				
PCV	-0.347	-0.188	-0.333	0.819	1.000			
PD	-0.261	-0.107	-0.267	0.698	0.712	1.000		
PJ	0.840	0.703	0.816	-0.378	-0.301	-0.231	1.000	
PD x ES	0.268	0.224	0.280	0.113	0.161	0.251	0.263	1.000

There is a significant negative correlation between Procedural Justice and Psychological Contract Violation (-0.347). There is a significant negative correlation between Distributive Justice and Psychological Contract Violation (-0.301). There is a significant positive correlation

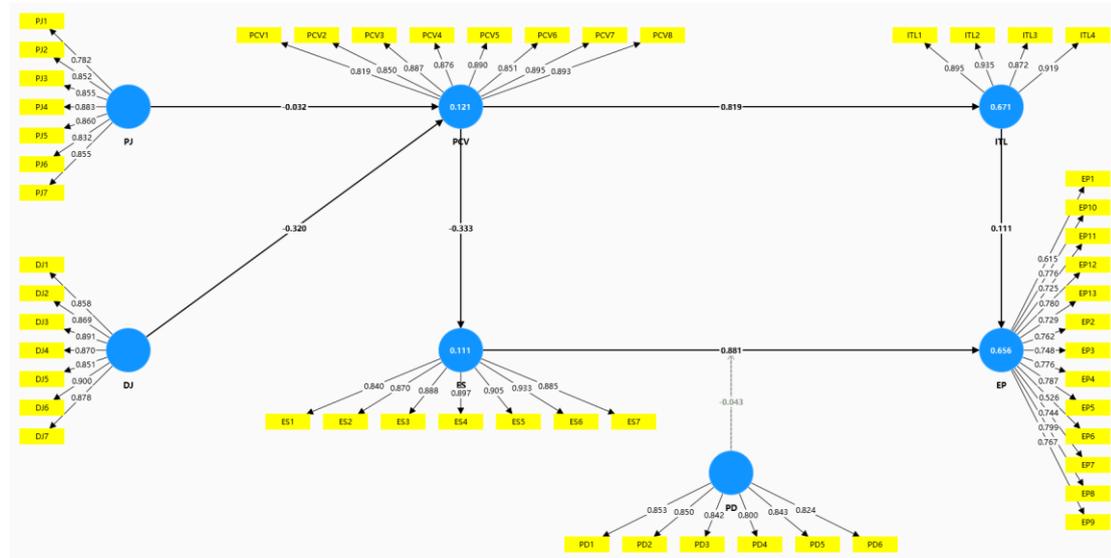
between Psychological Contract Violation and Intention to leave (0.819). There is a significant negative correlation between Psychological Contract Violation and Employee Satisfaction (-0.333). There is a significant positive correlation between Employee Satisfaction and Employee Performance (0.728). There is a significant negative correlation between Intention to leave and Employee Performance (-0.262).

Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic (O/STDEV)	P-Value	Result
DJ -> PCV	-0.320	-0.313	0.100	3.202	0.001	Support
ES -> EP	0.881	0.886	0.046	18.963	0.000	Support
ITL -> EP	0.111	0.128	0.066	1.688	0.091	Invalid
PCV -> ES	-0.333	-0.333	0.067	4.997	0.000	Support
PCV -> ITL	0.819	0.820	0.022	36.964	0.000	Support
PD -> EP	0.063	0.050	0.073	0.868	0.386	Invalid
PJ -> PCV	-0.032	-0.044	0.095	0.334	0.739	Invalid
PD x ES -> EP	-0.043	-0.044	0.047	0.911	0.362	Invalid

The study found that Procedural Justice had no statistically significant effect on Psychological Contract Violation ($P > 0.05$). Power Distance as a moderating variable had no statistically significant effect ($P > 0.05$). Intention to leave had no statistically significant effect on Employee Performance ($P > 0.05$). The effect of Distributive Justice on Psychological Contract Violation is -0.32, which is statistically significant and accurately calculated ($T 3.202 > 1.96, P < 0.05$). The effect of Distributive Justice on Psychological Contract Violation is -0.32, which is statistically significant and accurately calculated ($T 3.202 > 1.96, P < 0.05$). The effect of Psychological Contract Violation on Employee Satisfaction is -0.333, which is statistically significant and accurately calculated ($T 4.997 > 1.96, P < 0.05$). The effect of Psychological Contract Violation on Intention to leave is 0.819, which is statistically significant and accurately calculated ($T 36.964 > 1.96, P < 0.05$). The effect of Employee Satisfaction on Employee Performance is 0.881, which is statistically significant and accurately calculated ($T 18.963 > 1.96, P < 0.05$).

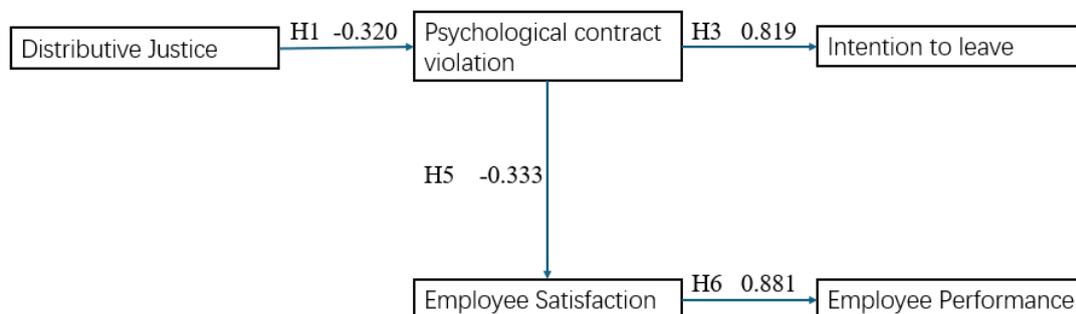
Model Fit



	R-squared	Adjusted R-squared	SRMR	d_ULS	d_G	Singular Value	NFI
PCV	0.121	0.115	Saturated Model	0.060	5.033	1.808	0.923
ITL	0.671	0.670	Estimated Model	0.075	8.677	2.524	0.977
ES	0.111	0.108					
EP	0.656	0.651					

The model has poor interpretation ability for psychological contract violation (12.1%) and employee satisfaction (11.1%). In addition to distributive justice and procedural justice, psychological contract violation may be strongly affected by other factors; the same is true for employee satisfaction. Bosco et al. (2020) stated in the effect size standard in social sciences that the complexity of society leads to a generally low interpretation ability of evaluation models, and more than 10% is considered effective. Therefore, the research results are valid. The model has strong interpretation ability for intention to leave and employee performance, which is consistent with the research expectations.

Discussion



The findings of this study align with previous research while also revealing distinctive aspects related to China’s corporate management system. Notably, the effect of procedural justice on psychological contract violation was not statistically significant, which may be attributed

to structural limitations in China's corporate management, particularly the rigid hierarchical structures and lack of transparent decision-making processes that hinder employees' ability to perceive procedural fairness. The lack of a human-centric approach and restricted employee participation in organizational decision-making contribute to a weakened perception of procedural justice (Cheng, 2014; Zhu et al., 2015; Tuan, 2022). Additionally, the underdevelopment of worker associations further diminishes employees' voice in their organizations, limiting their ability to collectively negotiate workplace conditions and advocate for fair treatment. This reduction in collective representation weakens employees' perception of procedural fairness, as they may feel powerless in influencing organizational policies and decisions, ultimately reducing the organizational responsibility for ensuring fairness (Cui et al., 2022). As Adams' (1965) social comparison theory suggests, employees assess fairness based on relative comparisons; thus, the prolonged lack of employee voice in China's manufacturing sector may have led to a decreased sensitivity to procedural justice.

Another key finding is the weak correlation between turnover intention and employee performance, which contrasts with prior studies that have found a stronger negative relationship between these variables in Western contexts. This suggests that cultural and structural differences in Chinese corporate management may mitigate the typical performance decline associated with turnover intention. This may stem from the unique performance-based compensation system in Chinese enterprises, which incentivizes employees to maintain high performance to secure financial rewards (Singh et al., 2021). Additionally, turnover intention does not necessarily lead to immediate resignation, as employees often seek alternative job opportunities before formally leaving. During this transition period, they may strive to maintain stable performance to avoid negative consequences such as inclusion in a Performance Improvement Plan (Weber & Cutter, 2024; Marks, 2025).

Furthermore, the ineffectiveness of the moderating effect of power distance may be attributed to the formalized enterprise management structures in China, where hierarchical authority is well established but rarely translates into meaningful differences in day-to-day decision-making autonomy. For instance, research by Li and Chen (2023) indicates that employees in highly structured Chinese firms tend to adhere to formalized processes rather than hierarchical influence when making work-related decisions, which could explain the diminished moderating role of power distance. While power distance has been shown to influence workplace relationships in other contexts, its impact may be mitigated in highly standardized management environments where hierarchical structures are rigid but procedural enforcement is weak.

These findings underscore the need to re-evaluate corporate management practices in China, particularly regarding employee participation, procedural justice, and performance incentives. Future research should further investigate how organizational policies can be restructured to foster greater fairness perceptions and enhance employee engagement. Specifically, longitudinal studies could examine how changes in employee participation in decision-making impact perceptions of procedural justice over time. Additionally, experimental research could explore the effectiveness of various incentive structures in maintaining performance while mitigating turnover intention. Comparative studies across

different cultural contexts may also provide insights into how power distance influences workplace dynamics in diverse management environments.

Conclusion

This study examined the relationships between procedural justice, psychological contract violation, turnover intention, and employee performance within the framework of Chinese corporate management. The key findings of this study are as follows:

1. Procedural justice does not significantly influence psychological contract violation. This may be due to the lack of employee involvement in decision-making and the weak presence of worker associations, which suppress employees' sensitivity to procedural fairness. This finding aligns with Adams' social comparison theory, suggesting that long-term suppression of workplace voice can diminish fairness perceptions.
2. The weak relationship between turnover intention and employee performance. Unlike findings in Western contexts, this study suggests that China's performance-based compensation structure pressures employees to maintain high performance despite their intention to leave. Employees may also continue performing well to avoid negative consequences before securing a new job.
3. The absence of a moderating effect of power distance. The rigid formalization of corporate management in China appears to limit the role of hierarchical influence, reducing power distance's expected moderating effect on employee behavior.

These findings provide meaningful contributions to understanding how China's unique corporate structure influences employee perceptions and behaviors. This study highlights the need for corporate policies that emphasize procedural fairness, empower employee representation, and balance performance incentives with well-being initiatives.

From a practical perspective, organizations in China should consider implementing policies that promote transparent decision-making, enhance employee participation in governance, and establish stronger worker associations to improve procedural fairness. Additionally, management should refine performance evaluation systems to ensure that compensation models do not solely rely on short-term performance pressures but also encourage long-term employee commitment. Future research should continue exploring these dynamics, particularly through longitudinal studies and comparative analyses with different cultural contexts, to develop more effective management strategies that foster a more engaged and productive workforce.

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