Impact of Psychological Contract Fulfillment on Employee Outcomes: Mediating Role of Affective Commitment

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This research examines the effect of psychological contract fulfillment on employee outcomes including employee turnover intentions and employee constructive voice behaviors; whereas affective commitment was utilized as a mediator to examine the intensity of its effect on the relationship among psychological contract fulfillment and employee outcomes. The convenience sampling method was used. Data was gathered through onsite administration of a survey from individuals working in the banking sector of Pakistan. The Psychological Contract Fulfillment Scale (Conway & Briner, 2002), Affective Commitment Scale (Meyer, Allen, & Smith, 1993), Employee Turnover Intentions Scale (Kuvaas, 2006) and Employee Constructive Voice Behaviors Scale (Van Dyne & Lepine, 1998) were used. The findings depict psychological contract fulfillment had a negative relationship with employee’s turnover intention whereas it was positively linked with employee’s constructive voice behaviors. Further results revealed affective commitment significantly mediates the relationship between psychological contract fulfillment and employee outcomes such that fulfillment of psychological contract positively contributes towards affective commitment levels among workforce which eventually increases constructive voice behaviors and lower turnover intentions among employees within an organization.

Keywords. Psychological contract fulfillment, affective commitment, employee turnover intentions, employee constructive voice behaviors

In dynamic business environments, organizations become complex and boundary less. Increased globalization, rise in mergers, restructuring and layoff have made major changes in an employment

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relationship. In these circumstances psychological contract has appeared as a central phenomenon to investigate an employee and its employing organization relationship. According to Alcover, Martinez-Inigo, and Chambel (2012), a variety of events takes place at workplace induce emotional reactions among employees. The employee’s attitudes and behaviors are impacted by these affective experiences. When a positive event occurs at workplace, it shades the cognitive evaluations of one's job in a way that affirmative events capability will leads the employees toward positive view of their job and employing organization and eventually employees are motivated to achieve desired outcomes. Whereas negative events will leads the employees toward the negative view of their jobs and eventually workers are less motivated to place effort into their work tasks (Liu, 2019; Sobaih, Ibrahim, & Gabry, 2019).

In both developed and developing economies, employment relationship has been transformed due to worldwide financial crisis resulting in a wide variety of contract breaches. Hence management of psychological contract and its effective monitoring became a challenge for organizations (Conway & Briner, 2005). The prior researches in area of psychological contract have been majorly rooted in Anglo-Saxon economies indicating plethora of studies highly concentrated in nonwestern context. However a few scholars have focused to investigate the psychological contract in context of developing countries (Agarwal & Bhargava, 2014; Ahmad & Zafar, 2018). Till to date prior researches in area of psychological contract in context of developing nations is at early stages of development. The area is conceptually and empirically underdeveloped (Rayton, Brammer & Millington, 2015). The prominent Asian countries focused by few psychological contract scholars recently include countries like China (Hui, Lee, & Rousseau, 2004), Philippines (Restubog & Bordia, 2006) and Hong Kong (Kickul, Lester, & Belgio, 2004); hence warranting a need for more empirical research in Asian context.

Moreover, Pakistan has been characterized as country having unique economic, institutional, socio-cultural, political and local factors. Various multinational organizations have started their operations in Pakistan because of availability of cheap labor along with vast potential market (Ahmad & Zafar, 2018; Bukhari, 2008; Sobaih et al., 2019). In this perspective, banking sector is categorized as the most significant pillar of any economy to enable it to function smoothly. A range of mergers and acquisitions have been observed in banking sector at domestic level during the time period of financial crisis. All these factors results in deterioration of employee job
security, an increase in level of uncertainties associated with job and ultimately the quality of working conditions also aggravates. As a result banking organizations need to reassess and modify their views in perspective of exchange relationship between them and their workforce as reflected on psychological contract of employees as these employee reactions influences overall organizational performance drastically (Khaliq et al., 2019; Liu, 2019). The influence of psychological contract fulfillment on work outcomes involving employee turnover intentions and constructive voice behaviors has not been studied. Furthermore, the role of affective commitment as a mediator has also not been investigated empirically in context of Pakistan. Hence responding to call for more empirical research in a non-western context in area of psychological contract (Agarwal & Bhargava, 2014; Khaliq et al., 2019) this study focuses on Pakistan and investigates influence of psychological contract fulfillment on employee work outcomes along mediated mechanism in banking sector of Pakistan to provide valuable implications for academics and practitioners in the area.

Psychological contract fulfillment is a substantial indicator of the attitudinal and behavioral reactions of workers at workplace (Ahmad & Zafar, 2018) because the mutual promises are the basis for psychological contract. Psychological contract fulfillment has been perceived by workforce when organizational promises are executed and employee’s expectations are met (Rayton et al., 2015). Moreover in organizations, the feelings of being valued among employees have been created by psychological contract fulfillment, it leads toward more trust upon employing organization and ultimately it results in a positive influence up on workplace outcomes for employees and for the organizations (Conway & Coyle-Shapiro, 2012).

Employee turnover intention refers to an estimated probability of any particular individual that in future he will leave the employing organization. Prior researches have exhibited that psychological contract fulfillment has significant association with employee turnover intentions. Collins (2010) reported that when psychological contracts are fulfilled, employee behaves positively in an employment relationship as it increases employee confidence upon organization and ultimately employee intention to leave an organization reduces. Conversely it is being identified by Colquitt, Baer, and Long, (2014), when the organizational promises and obligations are not executed by the employer, an employee is less likely to continue the employment relationship hence an employee turnover intention triggers.

Positive outcome of psychological contract fulfillment appears in many forms but employee constructive voice is a more prominent
affirmative employee action which may reflects employee participation in different organizational activities involving decision making practices and generation of innovative ideas through which positive change can be promoted within the organizations (Maynes & Podsakoff, 2014). Prior researches have indicated that psychological contract fulfillment has a positive link with constructive voice behavior of work force within an organization. Hu et al. (2018) described that employees will work in a more constructive manner when psychological contract of employees has been honored. Further norm of reciprocity also suggests that when a move has been made by one party involved in an exchange relationship, the other party will also respond positively to strengthen the relationship. With the passage of time, these social exchange relationships turn into stable levels of commitment, loyalty and emotional investment between parties. Thus psychological contract fulfillment results in an increase in constructive voice behaviors among work force as the extent of mutual trust and respect between an employee and employer has been enhanced leading towards positive reciprocation behaviors i.e. an increase in employee constructive voice behaviors (Chang, Hsu, Liou, & Tsai, 2013; Ng, Feldman, & Butts, 2014).

Moreover affective commitment is considered valued indicator for positive organizational outcomes (Fontinha, Chambel, & Cuyper, 2014). Affective commitment has been emerged as the most significant dimension of organizational commitment in context of psychological contract as the extent to which the actual experience of a focal employee within the organization matched with his needs and expectation influence the level of affective commitment. At the same time, organizational effectiveness can be increased with the help of affective commitment as it indicated employee desire to stay within the organization (Zagenczyk, Gibney, Few & Scott, 2011). Meyer and Allen (1997) stated that organizational commitment reflects identification and attachment of a worker with their organization. They also reported that organizational commitment is categorized into three elements i.e., affective commitment, continuance commitment and normative commitment. Affective commitment represents a worker emotional involvement and attachment with its employing firm. Positive level of affective commitment leads an employee to continuously being an integral part of the employing organization and ultimately employee is aligned with the organizational goals.

When workers perceive their psychological contract is honored by the employer, commitment is reflected in their attitudes, ultimately translating into more positive employee outcomes at workplace. Hence consistent with norm of reciprocity, higher contract fulfillment
will result in higher commitment levels among employees and ultimately higher affective commitment contributes toward lower turnover intentions and higher constructive voice behaviors (Fontinha et al., 2014).

**Hypotheses**

Based on aforementioned discussion, following hypotheses are derived for this study.

1. Psychological contract fulfillment will be negatively associated with employee’s turnover intentions.
2. Psychological contract fulfillment will be positively associated with employee’s constructive voice behaviors.
3. Affective commitment will mediate the association between psychological contract fulfillment and employee’s turnover intentions.
4. Affective commitment will mediate the association between psychological contract fulfillment and employee’s constructive voice behaviors.

**Method**

The research design is an indication of selection of specific dimensions of a research process been employed in a research study to logically and explicitly address the research problem. The positivist paradigm was followed in this research. The positivist paradigm facilitates quantitative researcher to employees’ complex statistical data analysis techniques that help them to provide important insight regarding respective field (Saunders, Lewis, Thornhill, 2012). The quantitative research mainly focuses on investigating the relationships among different variables of study that are numerically measured and statistically analyzed (Saunders et al., 2012). Hence in present study, quantitative research approach enable researcher to explore the extent to which psychological contract fulfillment effects employees outcomes and degree to which affective commitment mediates the relationship of psychological contract fulfillment with employees outcomes.

**Sample**

The unit of analysis for current research comprises of the employees of banking sector operating in Pakistan. The sample data ($N = 497$) was gathered by questionnaires from employees of public
and private sector banks. The data collection was based on public and private sector banks to reduce elements of biasness. Further the particular constructs in this research including psychological contract fulfillment and employees outcomes wholly relied upon the self-perceptions of individual respondents (i.e., employees) because these constructs can be studied in an effective way by considering the intended respondents only, that is, the organizational employees. The convenience sampling method was followed for distributing questionnaires among employees of banking sector. In total, 600 questionnaires were directly administered to different branches of both public and private sector banks and after initial data screening 497 usable questionnaires were retrieved achieving a response rate of 82.9%.

Twenty-one items were utilized in the survey questionnaire for measuring the latent variables of this study including PCF, AFFC, ETOI and ECV. The 497 usable questionnaires represents the employee responses working in different public and private sector banks operated in Rawalpindi and Islamabad (for descriptive statistics see Table 1).

### Table 1

**Sample Demographic Profile of Employees (497)**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>f</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>263</td>
<td>52.9</td>
</tr>
<tr>
<td>Women</td>
<td>234</td>
<td>47.1</td>
</tr>
<tr>
<td>Age (in years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 - 30 Years</td>
<td>229</td>
<td>46.1</td>
</tr>
<tr>
<td>31- 40 Years</td>
<td>214</td>
<td>43.1</td>
</tr>
<tr>
<td>41 Years and Above</td>
<td>54</td>
<td>10.8</td>
</tr>
<tr>
<td>Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>209</td>
<td>42.1</td>
</tr>
<tr>
<td>Private</td>
<td>288</td>
<td>57.9</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors</td>
<td>121</td>
<td>24.3</td>
</tr>
<tr>
<td>Masters</td>
<td>271</td>
<td>54.5</td>
</tr>
<tr>
<td>MS/M.Phil</td>
<td>70</td>
<td>14.1</td>
</tr>
<tr>
<td>PhD</td>
<td>35</td>
<td>7.1</td>
</tr>
</tbody>
</table>

### Measures

In present study, primary data collection technique was utilized. In addition, the quantitative survey (i.e., questionnaire strategy) was employed for data collection purposes because by employing appropriate statistical techniques upon the survey instruments results can achieve higher generalizability for the whole sample and questionnaire strategy is characterized as simple to describe and understand (Saunders et al., 2012). The convenience sampling
technique was chosen to deal effectively with constraints of time, access to data and needed resources. Questionnaire of conducted research had three sections which include demographic information, psychological contract fulfillment section and employee work outcomes section.

**Psychological Contract Fulfillment Scale.** A four-item Psychological Contract Fulfillment Scale developed by Conway and Briner (2002) was used. The general perception of employees regarding fulfillment of their psychological contract has been captured by selected measure. The responses to scale were gathered on a 5-point Likert scale which range from *Strongly Agree* (1) to *Strongly Disagree* (5). The Cronbach’s alpha for original four-item Psychological Contract Fulfillment Scale was .94 (Conway & Briner, 2002); while the Cronbach’s Alpha value of reliability measure for current sample was .92 indicating good consistency and reliability of scale.

**Affective Commitment Scale.** A scale comprising of six-items titled as Affective Commitment Scale (Meyer et al., 1993) and reverse coding of three items was performed to capture true employee responses. The responses were gathered on a 5-point Likert scale which range from *Strongly Agree* (1) to *Strongly Disagree* (5). The Cronbach’s Alpha for the original six item Affective Commitment Scale was .91 (Meyer et al., 1993); while, the Cronbach’s alpha value of reliability measure for the current sample was .84 indicating good consistency and reliability of scale.

**Employee Turnover Intentions Scale.** Employee turnover intentions were evaluated with a scale of five item developed by Kuvaas (2006). The scale responses were gathered on a 5-point Likert scale which range from *Strongly Agree* (1) to *Strongly Disagree* (5). The Cronbach’s alpha for the original five item Employee Turnover Intentions Scale was .92 (Kuvaas, 2006); while, the Cronbach’s alpha value for the current sample was .95 revealing adequate reliability of the measure.

**Employee Constructive Voice Behaviors Scale.** A scale comprising of six items namely Employee Constructive Voice Behaviors Scale (Van Dyne & Lepine, 1998) was used. The scale responses were gathered on a 5-point Likert scale which range from *Strongly disagree* (1) to *Strongly agree* (5). The Cronbach’s alpha for the original six item Employee Constructive Voice Behaviors Scale was .89 (Van Dyne & Lepine, 1998); while the Cronbach’s Alpha value of .93 was attained for the present sample.
Procedure

The public and private sector bank employees which operated in Rawalpindi and Islamabad were visited, time off of employees were also utilized to get the honest and correct responses. All questionnaires were get filled in a direct contact with the employees. Firstly, the purposes of research have been explained to participants to provide the study background and to simplify the associated queries. Respondents were also informed that this study was related with their beliefs and feelings toward their present employing firm. The complete explanation regarding questionnaire were provided to respondents when required. Additionally, it was clarified that data was gathered only for academic purposes. Participants were also informed that anonymity of data would be maintained to get quality responses of respondents.

Results

For hypotheses testing, Regression analysis using SPSS 22 and Hayes Process Model 4 for mediation was applied to examine the cause and effect relationships among psychological contract fulfillment, affective commitment, employee turnover intentions and employee constructive voice behaviors.

Table 2

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 PCF</td>
<td>14.49</td>
<td>5.029</td>
<td>-</td>
<td>.67</td>
<td>-.62</td>
<td>.59</td>
</tr>
<tr>
<td>2 AC</td>
<td>32.76</td>
<td>7.471</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 ETOI</td>
<td>22.34</td>
<td>5.675</td>
<td>-</td>
<td>.64</td>
<td></td>
<td>.64</td>
</tr>
<tr>
<td>4 ECV</td>
<td>13.72</td>
<td>4.937</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. PCF = Psychological Contract Fulfillment; AC = Affective Commitment; ETOI = Employee Turnover Intentions; ECV = Employee Constructive Voice Behavior.

To check the degree of relation among variables Pearson correlation analysis was done. Table 2 shows the correlation among the variables. The statistics show that psychological contract fulfillment and affective commitment are significantly correlated in expected direction with employee turnover intentions and employee constructive voice behavior. All the variables are normally distributed with an acceptable skewness and kurtosis level, resulting in mean and standard deviation values being close to each other. Further the results of correlation analysis exhibits that psychological contract fulfillment is negatively linked with employee turnover intentions, while it is
positively linked with employee constructive voice behaviors. These results significantly support the Hypothesis 1 and Hypothesis 2 of present study as \( p < .01 \).

Table 3

<table>
<thead>
<tr>
<th>Path</th>
<th>( \beta )</th>
<th>( t )</th>
<th>( p )</th>
<th>LL</th>
<th>UL</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>.41</td>
<td>14.7</td>
<td>.00</td>
<td>.36</td>
<td>.47</td>
</tr>
<tr>
<td>B</td>
<td>-.02</td>
<td>-6.36</td>
<td>.00</td>
<td>-.14</td>
<td>-.09</td>
</tr>
<tr>
<td>C</td>
<td>-.59</td>
<td>-16.6</td>
<td>.00</td>
<td>-.66</td>
<td>-.52</td>
</tr>
<tr>
<td>Indirect Effect of AFFC</td>
<td>.00</td>
<td>SE = .02</td>
<td>.00</td>
<td>.02</td>
<td>.04</td>
</tr>
</tbody>
</table>

Note. AFFC = Affective Commitment.

Table 3 shows result for affective commitment as a mediator in the relationship among psychological contract fulfillment and employee turnover intentions. The bootstrapping procedures were utilized to access the significance of mediation. The results revealed that all paths of mediation are significantly different from zero as shown by Table 3 accepting hypothesis 3 of this study. Further, the result (Table 3) of indirect effect of X on Y is also significant supporting mediating role of affective commitment. Thus model implies that affective commitment partially mediates the relationship among psychological contract fulfillment and employee turnover intentions such that affective commitment significantly transferred the positive impact of employee psychological contract fulfillment on employee’s turnover intentions and hence minimizes the level of turnover intentions among workforce.

Table 4

<table>
<thead>
<tr>
<th>Path</th>
<th>( \beta )</th>
<th>( t )</th>
<th>( p )</th>
<th>95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>.41</td>
<td>14.7</td>
<td>.00</td>
<td>.36</td>
</tr>
<tr>
<td>B</td>
<td>.46</td>
<td>9.65</td>
<td>.00</td>
<td>.37</td>
</tr>
<tr>
<td>C</td>
<td>.44</td>
<td>14.3</td>
<td>.00</td>
<td>.38</td>
</tr>
<tr>
<td>Indirect effect of AFFC</td>
<td>.19</td>
<td>SE = .02</td>
<td>.05</td>
<td>.14</td>
</tr>
</tbody>
</table>

Note. AFFC = Affective Commitment.

Table 4 shows result for affective commitment as a mediator in the relationship among psychological contract fulfillment and employee constructive voice behaviors. The bootstrapping procedures
were utilized to access the significance of mediation. The results revealed that all paths of mediation are significant; hence, offering support for hypothesis 4 of this study. Further, the results show indirect effect of X on Y is also significant; thereby, supporting the mediating role of affective commitment. Thus model implies that affective commitment partially mediates the relationship among psychological contract fulfillment and employee constructive voice behavior.

Discussion

The findings of regression analysis shows that psychological contract fulfillment has a negative association with employees’ turnover intentions, hence accepts Hypothesis 1. The psychological contract is a kind of guarantee among a worker and employer that both parties to the relationship will uphold their side of deal. Positive level of psychological contract fulfillment results in strong confidence of employee upon the benefits of continuing employment relationship and ultimately employees are less willing to quit the employing organization and vice versa (Ahmad & Zafar, 2018; Sobaih et al., 2019). Further the findings indicated that psychological contract fulfillment has a positive association with employees’ constructive voice behaviors at workplace, hence accepts Hypothesis 2. The attitudes and behaviors of workforce are influenced by affective experiences at workplace as emotional reactions have been induced among employees with respect to positive and negative events occurred at workplace. Employees are likely to uphold their side of obligations toward employer, when the psychological contract has been fulfilled by employing organization. Hence psychological contract fulfillment leads toward positive reciprocation behaviors of employees by engaging employees in constructive voice behaviors within organizations (Khaliq et al., 2019; Liu, 2019).

Moreover the model testing supports the mediating relationship between variables and showed that affective commitment partially mediates the relationship of psychological contract fulfillment with employee outcomes such that psychological contract fulfillment drives higher commitment levels among workforce that eventually translates into desirable employees outcomes at workplace, hence accepts Hypothesis 3 and Hypothesis 4 of current study. The results of this research are parallel with prior studies indicating a significant linkage among psychological contract fulfillment and employees outcomes along with mediating role of affective commitment (e.g. Ahmad & Zafar, 2018; Bal, Cooman, & Mol, 2013; Khaliq et al., 2019). The findings suggest that the ability of an organization to execute its
obligations and promises in a psychological contract is a major factor to explain the employees’ responses at workplace. Hence, when an employing organization compliments psychological contracts, workforce are likely to respond with more positive attitudes and behaviors as fulfillment of psychological contract strengthened relationship of trust in an employment relationship and improve identification of an employee towards its job tasks and employing organization (Liu, 2019; Sobaih et al., 2019)

**Limitations and Suggestions for Future Research**

Empirical researches have certain limitations that need to be highlighted, so that the future studies will improve and expand the findings of these prior researches. First, the research design of this study is cross-sectional in nature. Second, survey measure was solely based on self-reporting of employees. If the employees do not reflect their true perceptions while providing the responses then it may lead to biasness in results (O’ Campo & Dunn, 2012). As a result, the survey design recommendations presented by Podsakoff, MacKenzie, and Podsakoff (2012) were utilized for limiting the likelihood of common method variance in the current study.

The notion of psychological contract has been characterized as dynamic in nature that explains two parties’ relationship of reciprocal exchange. The examination of the concept by analyzing it over different time for renegotiation purposes in contract might be overlooked. Thus longitudinal study will be beneficial for investigating the concept of psychological contract in dynamic perspectives. However this research provides valuable insights to academics and practitioners by uncovering important mediation mechanisms that connects the psychological contract fulfillment to employee outcomes by exploring the psychological contract route in a non-western context.

**Practical Implications**

In current turbulent business environment, various organizations find it difficult to execute all of its organizational obligations and promises made toward their workforce on continuous basis (Arshad & Sparrow, 2010). Hence effective monitoring and management of the psychological contract became a challenge for organizations (Conway & Briner, 2005). The findings of current research recommend that organizations should reassess and modify their views in perspective of exchange relationship with workforce as reflected on psychological
contract of employees as employee reactions towards psychological contract influences overall organizational performance drastically. Another practical implication for managers is that they should significantly focus on driving higher commitment levels among employees. According to Laulie and Tekleab (2016), promotion of mutual trust and respect environment foster the positive attitudinal and behavioral outcomes among employees. Beside these, open communications should be encouraged by managers towards employees for the purpose of aligning the employee and organizational interests. This study provides insight to managers that fostering a psychological contract in its positive state among employees drive significant and positive benefits for organization that include higher commitment levels and constructive voice behaviors and lower turnover intentions among employees. As a result, achievement of desirable employee outcomes translates into positive organizational profitability and performance levels at marketplace.

Conclusion

This study expands the stream of prior research in area of psychological contract fulfillment by showing psychological contract fulfillment as a pathway for enhancing commitment level of employees and ultimately it effects employee’s turnover intentions by diminishing those intentions among workforce and positively influences employee constructive voice behaviors. Though, affective commitment partially mediates the relationship of psychological contract fulfillment with work outcomes but the partial role is also significant as it eventually translated into desirable employee outcomes at workplace.

References


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