



**ST MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**INFLUENCE OF PSYCHOLOGICAL CONTRACT ON EMPLOYEES  
TURNOVER INTENTION  
IN CASE OF ETHIOPIA COMMODITY EXCHANGE**

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**DECEMBER, 2020  
ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I, Eyerusalem Fekade, declare that the thesis entitled “**Influence of Psychological Contract Employees Turnover Intention; The Case of Ethiopia Commodity Exchange**” is my original work. I have carried out the present study independently with the support of the research advisor, **Goitom Abraham (Assist. Ph.D.)** Some other contributors or sources used for the study have been properly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

**Eyerusalem Fekade**

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**December, 2020**

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University College, School of Graduate studies for examination with my approval as a university advisor.

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**Advisor**

**St. Mary's University College, Addis Ababa**

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**Signature & Date**

**December, 2020**

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## **ABSTRACT**

*The purpose of this study was to investigate the effect of three type of psychological contract namely relational, transactional and balanced psychological contract on employee's turnover intention in Ethiopia Commodity Exchange. The study adopted the quantitative research method and stratified sampling method was used. The data was collected using questioners from 106 (85% response rate) from employees of ECX. The obtained data was analyzed using the statistical package for social science (SPSS) using regression & correlation analyses. The result of this study indicates that majority of the respondents agreed that the relational psychological contract was the most practiced psychological contract type which emphasize that the company provides secure employment and has concern for personal wellbeing of its employees and families by providing stable benefit for employee's family. The correlation result shows that the relationships between the three variables of the study were negative and moderate, except the relation between relational and balanced psychological contract. And relational psychological contract has significant and negative correlations with employee's turnover intention. Moreover, relational psychological contract is the most contributing psychological contract traits in the prediction of employee turnover intention with beta value .302. This result shows that ECX need to give more emphasis on providing more secure employment, stable benefit and pass decisions with employee's interest in mind. The present paper recommends to ECX about the need to enhance steady employment, give emphasis for employee's personal welfare, communication prior to decisions have been made and provide long term developmental opportunities to change the attitudes of employees towards employee's intention to leave.*

**Key Words:** *Psychological Contract, Turnover Intention, relational, transactional, balanced psychological contract and employee's intention to leave.*

## **ABBREVIATIONS/ACRONYMS**

**RPC:** Relational Psychological Contract

**TPC:** Transactional Psychological Contract

**BPC:** Balanced Psychological Contract

**ECX:** Ethiopia Commodity Exchange

**SPSS:** Statistical Package for Social Science

**ANOVA:** Analysis of Variance



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## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

As a result of globalization, organizations are now a days facing the challenges of global competition, economic instability and technological changes, among others. These difficulties request organizations to change their strategies, specially, with respect to human resource management, to allow them remain active and competitive (Omoruyi, Chipunza & Samuel, 2011). This led to increasing interests shown by both the academics and practitioners on how best to manage employment relationship (Rousseau & Scheperling, 2003). For these reasons, research in psychological contract and turnover intention becomes very vital.

The psychological contract can be defined as an individual's beliefs about the terms of the exchange agreement between employee and employer. It concerns the idea of an exchange between parties. Additionally, it is important to note that the psychological contract does not involve items found in the employment contract. Instead of objective and defined promises, it concerns more implicit, subjective and supple ones (Rosseau, 1995).

Schein (1965) has explained that the notion of a psychological contact implies that there is an unwritten set of expectations operating at all times between every member of an organization and the various managers and others in that organization. Kotter (1973) on the other hand, defined the term as an implicit contract between an individual and his organization which specifies what each expects to give and receives from each other in the relationship.

According to Social Exchange Theory, people involve in relations with other people because they are driven by the expectations of receiving inducements in return from the other party. Thus, in line with the norm of reciprocity, higher contract fulfillment is expected to lead to higher work engagement and lower turnover intention, (Gouldner, 1960).

In a service giving industry like Ethiopia Commodity Exchange, the interaction between employees and customers is essential to putting the perception of customers on the level of service quality delivery and satisfaction. Therefore, the human resource is a key source of gaining competitive advantage. Rastgar and Pourebrahimi (2013) have stated that the

major challenge of most organizations today is how to recruit, retain, manage and satisfy their employees who can help the organizations to realize higher level of competitive advantage. Thus, managing and retaining competent employees is a serious challenge. High turnover rate will not only increase the cost of recruitment and selection, but also reduce the organizational morale and weaken the intellectual capital.

On the other hand, turnover intention was very significant as a predictor of actual turnover, as well as an indicator of employee that may not contribute to organization at their full potentials. It can also serve as a sign of the degree of one's psychological attachment to the organization. A study carried out by (Ongori, 2007) indicated that, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position.

Thus, on a larger perspective the understanding of this concept and its proper implementation creates a sense of mutual understanding and creates a long-term relationship between employer and employee that in turns contributes to employee retention and business sustainability of the organization. To this end ECX also conducts measurement of its employee's satisfaction level at yearly base and turnover analysis every six month, believing that employee's satisfaction, engagement and competencies are most important factors for the organizational success.

Therefore, this study attempts to describe the mutual expectations psychological contract influence on employee's turnover intention in Ethiopia Commodity Exchange.

## **1.2 BACKGROUND OF THE ORGANIZATION**

Ethiopia Commodity Exchange was State owned non-budgeting Development Organization with a unique public and private arrangement. It was the first modern integrated eco-system market in Africa established by an astonishing Ethiopian woman, Dr. Eleni G/Medihen in April 2008 by proclamation No 550/2007. The vision of ECX is to revolutionize Ethiopia's tradition bound agriculture through creating a new marketplace that serves all market actors, from farmers to traders to processors to exporters to consumers. The ECX is a unique partnership of market actors, the Members of the Exchange, and its main promoter, the Government of Ethiopia.

Since its inception, ECX has traded a total volume of 3 million metric tons of commodities (Coffee, Sesame, White pea beans, Green Mung beans, Wheat and Maize) with a transaction value of USD 5 billion. At present, ECX has rolled out 19 warehouse delivery sites with a total capacity of 300,000 tones. ECX currently has 346 Members (32 cooperatives) and over 14,000

clients with participation from commercial farmers, unions, processing factories, exporters, and domestic trading firms.

The management of ECX also believes that the motivation, commitment & competence of its employees are the most important factor in determining the success of ECX. To this effect, the management has committed to know the existing level of employees' satisfaction and engagement to use the data as baseline information to draw action plans towards a maximum satisfaction level and engagement of its employees. Bearing in mind the above consideration, ECX conducts employee's satisfaction survey every year and also conduct employee turnover analysis every six months, provide different value internalization, induction programs for new comers, Empowering, main touring and different strategies to positively impact employee's perception & their assertiveness, accordingly. And also, different incentives, bonus and increments based on clearly stated criteria have in order to satisfy and maintain its employees.

### **1.3 STATEMENT OF THE PROBLEM**

Psychological contract is one of the hidden, hard-to-measure factors that end up being crucial to the success of a company. The psychological contract influences how employees behave, according to the underlying relationship they have with the company and other staff. The employee balances what they put into their job with how they feel they are being treated by their employer. If they are inputting more than they feel they are getting back in return, the balance is twisted and the psychological contract is breached.

There are a number of researches that studied the consequences or outcomes of perceived psychological contract breach on employee's behavior, attitude and feelings. Such studies include Robinson and Rousseau (1994), Turnley and Feldman (1999), Ongori, (2007), Umar and Ringim (2015). These studies indicated that the perceptions of psychological contract breach were positively related to employee turnover intentions and or actual turnover.

Since turnover is a critical human resource issue in all sector of the economy, it can be utilized as an indicator of company performance and can be easily observed negatively towards the organization efficiency and effectiveness. (Glebbeck et al, 2004) In relation with this, creating sufficient number of stable and well-paying jobs remains a major challenge for African economies. Urban labor markets in the region were identified by high informality and unemployment rate. In deed in Ethiopia, the informal economy is estimated to account for over

38% of GDP with data from the Ethiopian Central Statistical Agency showing that formal employment accounted for below 70% of total employment in 2012.

As stated above, several studies were conducted on the influence of psychological contract on employee's work attitudes in organizations with inconsistent results. In addition, these studies were mainly conducted in developed and developing countries such as Europe, Asia and America. Moreover, the influence of culture might play a role in the findings of such studies in those developed societies.

The vision of ECX is to become a leading and dynamic Exchange in Africa. ECX has a mission to provide a modern, efficient, transparent and reliable market platform to serve the national development goals through adaptation of technology, excellence in innovation and with integrity. In order to achieve its organizational missions & vision, ECX's management need to properly manage its vital resources and pass decisions that are in favor of the employees. Despite, understanding of the concept that people are the greatest asset an organization has, the management would be expected to take the time to investigate what may influence an employee expectation and behavior.

In addition, Turnover has proved to be a drain of profit of an organization and firms suffer the loss of job specific skills, disruption in production and incur the cost of hiring and training new works. (Martin et al 2007). Similarly, ECX was also vulnerable to turnover related problems. Hence, by giving more emphasis to the issue, ECX management tries to know the existing level of employees' satisfaction and engagement every year.

On the other hand, exit interview was conducted by the human resource department in order to know the reason behind employee's resignation. The resigned employees mentioned that uncompetitive pay, in conducive work environment and boring work are some of the reasons to leave the organization. Contrariwise, the mental state of those employees who remain behind may differ from those who already left the organization. Because employees who already resigned might not have interest to explain the real problems which were faced retained in the organization.

Coming to the specific case company, Ethiopia Commodity Exchange has not been studied to any great extent, except the annual employee satisfaction survey & turnover analysis conducted every six months based on exit interview, since its introduction in Ethiopia in the late 2006.

Therefore, the above-mentioned facts motivated the researcher to examine the effect of each psychological contract traits by identifying a psychological contract trait that has greater effect on employee turnover intention in order to precursor turnover and forward possible policy implication to be implemented by the organization.

Therefore, this study was conducted to identify effect of each selected psychological contract on employee's turnover intention. And through reviewing current empirical finding in similar studies, this study attempted to address the following research questions.

#### **1.4 RESEARCH QUESTIONS**

Based on the above statement of the problem, the study attempts to address the following questions

- To what extent does transactional psychological contract have influence on employees turn over intention in ECX?
- To what extent does relational psychological contract have influence on employees' turn over intention in ECX?
- To what extent does balanced psychological contract have influence on employees' turn over intention in ECX?

Based on the above research questions, the study attempts to achieve the following research objectives.

#### **1.5. RESEARCH OBJECTIVE OF THE STUDY**

##### **1.5.1 GENERAL OBJECTIVE**

The main objective of the study was to investigate the influence of psychological contract on employee turnover intention in the Ethiopia Commodity Exchange.

##### **1.5.2 SPECIFIC OBJECTIVES**

In order to achieve the general objective, this research attempt to address the following specific objectives by examining the extent to which:

- To assess the influence of transactional psychological contract on employee's turnover intention in ECX
- To examine the influence of relational psychological contract on employee's turnover intention in ECX



- To determine the influence of balanced psychological contract on employee's turnover intention in ECX.

## **1.6 RESEARCH HYPOTHESIS**

- H0: - Transactional psychological contract has no significant influence on employee's turnover intention in ECX.  
H1: - Transactional psychological contract has significant influence on employee's turnover intention in ECX.
- H0: - Relational psychological contract has no significant influence on employee's turnover intention in ECX.  
H1: - Relational psychological contract has significant influence on employee's turnover intention in ECX.
- H0: - Balanced psychological contract has no significant influence on employee's turnover intention in ECX  
H1: - Balanced psychological contract has significant influence on employee's turnover intention in ECX.

## **1.7 SIGNIFICANCE OF THE STUDY**

The findings of the study would be significant, beyond serving the academic purpose; it is expected to enhance the awareness level of managers and leaders to have the information necessary to increase organizational commitment and retain its best employees by understanding influence of psychological contract on turn over intention in ECX. Furthermore, this study will have the following significance:

- The study could benefit the case organization by determining which type of psychological contract has highest effect on employee's intention to leave. This could also lead to improvements in workplaces to help employees become more fulfilled and committed to their jobs.
- Effect of psychological contract on Ethiopia Commodity Exchange employee's turnover intention is not evidently known. Therefore, this study could help Ethiopia Commodity Exchange to enrich its psychological contract practice and adjust its focus on most important type of contracts that can bring employee commitment and fulfillment.

- The company might use the study finding as an input to amend its policy and procedure on employee's retention program and other related human resource management strategies.
- The study might contribute to the existing literature through identifying the significant relationship between psychological contract and employee turnover intention. Moreover, empirically identifying the contribution of psychological contract traits to employee turnover intention in Ethiopian context is significant addition for the literature as well.
- Lastly, the outcome of the study was expected to assist other investigators for further Studies in the area of psychological contract influence on employee's turn over intention.

### **1.8 SCOPE OF THE STUDY**

While conducting the research a number of factors may happen that can restrict the study not to generate the intended outcome to the maximum. For instance, the following points are listed.

In accomplishment of the objective of the research paper, the study encompasses three selected major psychological contract types (i.e. transactional, relational and balanced) and their influence on employee's turn over intention in Ethiopia Commodity Exchange, for the sake of effectiveness and efficiency.

The study would be limited mainly in Ethiopia Commodity Exchange and since data could be collected in a single industry, this study may not be generalizable to other industry settings.

Lack of studies conducted in Ethiopia investigating the influence of psychological contract on employee's turn over intention, making comparisons with this research will be difficult. In addition, there is no adequate literature which conducted in this area of study.

Lastly, the study addressed the effect of psychological contract, only one factor, on employee's turnover intention. Thus, it didn't emphasize on the effect of other variables on employee's intention to leave such as job - related characteristics, personal characteristics, work experiences etc. Therefore, future research should be conducted on large scale by considering more organizations and different business sectors overall the country.

The research is delimited to the data obtained from permanent employees and had been considered part of the study. Methodology wise the study used cross- sectional study and quantitative research design. The study based on key factors of Psychological Contract (relational, transactional and balanced) and employees' turnover intention.

## **1.9 ORGANIZATION OF THE STUDY**

This study organized in to five chapters. The first chapter is an introductory part which includes background of the study, statement of the problem, research questions and objectives, significance and scope of the study. Literature review and research methodology addresses the review of related literature and the research design of the study, sampling techniques and data collection instruments. The fourth chapter describes the interpretations and discussion of the findings. Finally, in the last chapter, summary, conclusion and recommendation are included.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1 THEORETICAL LITERATURE REVIEW**

An organization, regardless of its structure, depends upon an effective combination of managers supervising the performance of their direct reports and all employees making their contribution towards organizational goals.

There are several organizational behavior theories that support the concepts of psychological contract and turnover intention such as the leader member exchange theory and social exchange theory. For the purpose of this research, one theory supports this study; the social exchange theory.

The social exchange framework generally refers to any theoretical approach or conceptualization that is characterized with exchange of resources (material or symbolic) between or among individuals. It refers to one of the main exchange concepts which are rewards, cost and reciprocity (Sprecher, 1998). The idea of reciprocity is based on the social exchange theory which suggests that social behavior is the result of an exchange process (Grant, 2010) In other words, the social exchange theoretical perspective accounts for social structure: as a process of negotiated exchanges between parties based on the expectations that inputs will lead to balanced outcome. And those social relations (such as employment relationship) are formed by the use of a subjective cost-benefit analysis and the evaluation of alternatives (Gouldner, 1960). Thus, on the basis of its recognition of economic and social exchange, this theory laid the basic foundation for understanding the relational and transactional psychological contract.

##### **2.1.1 CONCEPT OF PSYCHOLOGICAL CONTRACT:**

Psychological contracts are the perceptions about obligations, often unwritten and even unspoken, between employees and employers. Based on principles of social exchange and self-regulation, these contracts—as seen through the eyes of the employee—motivate employees' actions, shape the employment relationship, and have important implications for employees' behaviors and affective experiences at work. Broadly, psychological contracts comprise an employee's perception of the contributions he or she provides and the corresponding inducements the employer provides. Researchers of psychological contracts seek to understand the employee's evaluation of (a) the balance between his or her contributions and the employer's

inducements and (b) whether delivered levels of contributions and inducements match what the employee views as obligatory.

The psychological contract can be defined as “an individual’s beliefs about the terms of the exchange agreement between employee and employer. It concerns the idea of an exchange between parties. Individuals enter employment with a set of beliefs, expectations and obligations, which they anticipate being met by their employer. In addition the employer holds a mutual set of beliefs expectations and obligations leaving a binding exchange in place. Additionally, it is important to note that the psychological contract does not involve items found in the employment contract. Instead of objective and defined promises, it concerns more implicit, subjective and supple ones. These beliefs emerge when employees believe that organizations have promised them incentive in return for their services rendered. The psychological contract produces attitudes and emotions which form and control behavior. It is not a legal document, but a conceptualization of the relationship between employer and employee — and what you expect of each other. The psychological contract is ‘broken’ when employees feel their employer has acted unfairly or breaks promises. This can negatively impact engagement and job satisfaction, leading to negative workplace attitudes.

Understanding the content of psychological contracts, as well as their motivational effects, can help managers achieve desired employee outcomes, such as commitment, productivity, and organizational citizenship behavior (OCB). As organizations increasingly experience unsettled employee attachments and a waning emphasis on traditional inducements, the psychological contract perspective offers insights for sustained employee alignment and performance.

Psychological contracts are typically composed of two parts: tangible and intangible expectations. Employers initiate the crafting of the first part of these contacts in the form of tangible items such as wages, benefits, and employee productivity goals. These items are generally found in offer letters, employee handbooks and policy manuals. The second part of these contacts is what makes psychological contracts uniquely different from most contracts because it is entirely subjective and is written in the minds of both parties. Thus, intangibles are presented in the form of concepts like loyalty, fair treatment, and job security. Therefore, these contracts can be quite fragile and break in the psychological contract can lead to decreased performance and even turnover. A number of scientific research have confirmed that Psychological contract breach is adversely linked with worker behaviors and attitude , such as

fulfillment of job, performance of employee, and organizational citizenship behaviors, and favorably linked with turnover intention .

### **2.1.2 THEORY OF PSYCHOLOGICAL CONTRACT**

Two sets of factors operate in forming the psychological contract. These consist of, external messages and social cues from the organization along with the individual's internal interpretations, predispositions and constructions. Messages that the organization sends as well as social cues co-workers provide are the units of information that employees use to develop their psychological contract (Rousseau, 1995).

#### **2.1.2.1 MESSAGES**

Organizations send commitments through various events that indicate certain intentions for the future. They tend to direct various forms of commitments in a continuous process. These may be in the form of explicit statements, observations on how others are treated, the organizational policy or even social constructions by references to the organization history or reputation (Rousseau, 1995).

#### **2.1.2.2 SOCIAL CUES**

Social cues are information learnt from co-workers. These play a significant role in the formation of contract. Information that is easily obtainable often provides the strongest message for creating a contract. Co-workers tend to communicate standards, provide impressions about the workplace and help each other make sense on what is happening in the workplace. Messages that individuals actually receive and the way they interpret this information influences the contract that they create.

Encoding then occurs, which is the process individuals use to interpret the organizational actions as promises that are either kept or broken. The characteristics of the individual also affect how encoded information is used. The individual predispositions consist of cognitive biases, which are information-processing styles and career motives, which are specific to each person (Rousseau, 1995).

#### **2.1.2.3 INDIVIDUAL PREDISPOSITIONS**

Cognitive biases are present in the processing of information concerning one's own interests. They include unrealistic positive self-views, exaggerated perceptions of personal control and unrealistic optimism. Well-adjusted people hold views of the self that includes awareness of both

positive and negative aspects of self, although most people tend to neglect their negative aspects. Therefore cognitive style, contributes to the psychological contract. Motives on the other hand are what people look for in a job. Depending on whether they are working as a way to get to a better job, or whether they are looking to invest themselves and develop a long-term career in an organization. All these motives affect individual's interpretation of what they owe to the organization and in turn what they perceive is owed in turn (Rousseau, 1995).

Finally, decoding occurs which is based upon the judgements people make regarding the behaviour that is needed in order to fulfil the commitments they made or the organization has made. Individual factors therefore make each psychological contract unique to the holder (Rousseau, 1995).

### **2.1.3 DEVELOPMENT OF THE PSYCHOLOGICAL CONTRACT**

The psychological contract develops and will constantly evolve over the working relationship. It is refined according to the behavior and communication that goes on between employer and employee. Even things that are not said, or perhaps perceived to be deliberately left unsaid, can contribute to the psychological contract.

The employee inputs things such as effort, ideas and commitment, and may make sacrifices for the company. In return, they receive rewards from the employer, such as job security, recognition, personal development and status. As the employee inputs more, so the company rewards with more.

Conversely, what the employee is putting in can be seen from the employer's perspective as their expectations. They may expect a certain amount of commitment or dedication in return for the recognition and responsibility that they give.

The point that an employee entry into an organization and socialization is defined by logic of making processes through which new employees understand, react and give meaning to their new surroundings. The report of sense making as a process through which newcomers actively form and change their cognitive schemas (representations) makes it relevant to apply to psychological contract formation. Schema acquired early in life when individuals form widespread values about reciprocity, hard work and these values are affected by family, school, peer group and interactions with other working groups (Morrison & Robinson, 2004). Therefore, prior to employee's first employment experience, they have already established some expectations about what they should give their new organization and what they expect to receive

from the organization in an employment relationship. It is this schema that affects how an employee defines and interprets the actions and signs from the organization. The socialization period seems to be highly important in terms of how internal factors (organizational factors) help in shaping an employee's psychological contract. Thomas and Anderson (1998), and Tekleab (2003) have found that new employees adjusted their psychological contract within the period of socialization and after several months into the new employment. This change was affected by information as well as their new experience of the actual workplace and work relations. Also, new employees changed their perceptions of what they had promised their employer based on what their perception of what they had contributed to their employer.

Researches on psychological contract have revealed that several sources of relevant information individuals depend on for constructing their psychological contract. The study of Erica, Walker and Kemmis (2011), which examined the development of psychological contract among apprentices and trainees in Australia, found that recruitment, selection, induction and performance management processes were significant for the development and consolidation of psychological contract. The earlier expectations were made clear in the recruitment process the better. The findings of their study also reveal that psychological contract is developmental. Consequently, more was put into it as time go on. Changes in the nature of the information from different sources of information do normally result to changes in psychological contract.

#### **2.1.4 TYPES OF PSYCHOLOGICAL CONTRACTS**

According to Rousseau there are four kinds of contract we can use to define the kind of employee-employer relationship.

**Relational**—long-term or open-ended employment arrangements based upon mutual trust and loyalty. Rewards are only loosely conditioned on performance; derive from membership and participation in the organization. It was considered by long term employment relationship in which the mutual obligations cannot be clearly specified. Employees with a relational contract contribute their commitment and involvement to the organization in the form of organizational citizenship behaviors, with trust that the organization will provide loyalty, a sense of community and opportunities for professional growth. In this relationship, the beneficiaries of the exchange are largely local (i.e. the employee and his or her organizational community).

**Transactional**—employment arrangements with a short-term or limited duration, primarily focused upon economic exchange; specific, narrow duties and limited worker involvement in



organization. Therefore, transactional contracts involve exchanges that are quantified and rewarded in monetary terms over a short duration or a limited period of time. Thompson and Bunderson (2003) are of the view that organizational inducements within transactional contracts are calculated to fulfill the minimal, narrowly specified requirements to receive those economic rewards. Because employees are concerned about themselves as the primary beneficiaries of the exchange, transactional contract implies an egoistic or instrumental model of human nature.

In order to make a clear distinction between transactional and relational contracts, Robinson, Kraatz and Rousseau in 1994 have incorporated high pay, rapid advancement and merit pay as what create transactional, while relational include long-term job security, career development and support with personal problems.

**Balanced**—refers to a dynamic and open-ended employment engagement Pre-conditioned on business success of the employer organization Employee has opportunities to develop skill sets and opportunities for career advancement based on skills and performance Both employee and organization contribute to each other's development Rewards to workers are based upon performance and contributions to the organization's business success or Competitive advantages, particularly in the face of changing business environment. In most of the public owned and professionally managed organizations, balanced type of psychological contract exists.

Balanced psychological contract talk about a dynamic and open-ended employment relationship preconditioned on business success of the employer and the employee's opportunities to develop skills sets and opportunities for career advancement based on skills and performance. Both employee and organization contribute to each other's development (Thomas & Singh, 2011). On the other hand, Bankins (2012) argued that balanced psychological contracts are constituted by three dimensions. First, offering support for meeting increasing and changeable performance requirement. Secondly, evolving in employee development activities and offering career development within the organization. Finally support for developing externally marketable job skills.

For the purpose of this study relational, transactional and balanced psychological contracts typology were used to explore how psychological contract influences employee behavior in the Nigerian banking industry. This is due to the fact that many scholars and researchers in this area have accepted the existence of the three dimensions i.e. relational, transactional and balanced factor (Hong, et al 2009).

### **2.1.5 Psychological contact Breach**

The employment relationship can be adversely affected if it is perceived that there has been a breach in the psychological contract. When the employee believes that the employer has failed to fulfill its obligations, then they feel that the psychological contract is broken.

Several studies have used the term *breach* and *violation* interchangeably in the past until Morrison and Robinson (1997) made a clear distinction between the two concepts. Breach exemplifies the mental awareness that the organization has failed to meet its promises. In contrast to perceived breach, violation constitutes the affective state that may or may not convey this awareness (Morrison & Robinson, 1997). In other words, breach and violation are two distinct concepts. Breach is concerned with the cognitive aspect while, violation is concerned with the emotional aspect of a failure in psychological contract (Eckerd, Hill, Boyer, Donohue & Ward, 2013). Therefore, violation represents an emotional experience that may, under some circumstances, result from perceived breach. The emotional situation often includes disappointment, anger, resentment, bitterness, indignation or some outrage.

Breaches of the psychological contract can lead to an employee becoming disengaged with their job and, if not resolved, can continue to cause disaffection and demotivation that further results in a decline in performance. In more serious cases, the entire relationship can break down and cause the employee to exhibit negative and sometimes deliberately malicious or deviant behavior.

In conclusion, psychological contract breach is generally a subjective experience that has to do with an employee's perception about the extent to which an organization has failed to fulfill its promise(s). Psychological contract breach, unmet expectations, perception of inequity and psychological contract violation are all different concepts that are relatively related and associated with each other.

### **2.1.6 CONSEQUENCES OF PSYCHOLOGICAL CONTRACT VIOLATIONS**

#### ***2.1.6.1 Absenteeism***

Though, some absenteeism was unavoidable and even understandable due to illness, a death in the family, medical leave, and other personal reasons. Interestingly, absenteeism may be an early indicator that an employee's contract has been breached and loyalty is waning. Studies show a close relationship between absenteeism and lower job satisfaction and higher intention to leave.

To determine if excessive absenteeism may be avoidable, there are a variety of formulas in use. Absenteeism is no small matter for employers. It is expensive and costs companies millions of dollars and lost productivity each year. As a result, employee job satisfaction and perceived ownership (psychological commitment) are critical factors to long lasting, happy employment relationships.

#### **2.1.6.2 WORK PLACE DEVIANT BEHAVIOR**

Studies have verified that employees who experience psychological contract breach engaged in workplace deviant behaviors, or voluntary behaviors that go against organizational policies and expectations. This is specifically true for individuals who view their relationship to the organization as more transactional ('entitled' employees who focus more on the benefits that they get from the employment relationship) than relational ('benevolent' employees who give more importance to their relationship with the organization and its members). Entitled individuals who experience psychological contract breach have the tendency to 'even the score' with the organization by engaging in deviant behavior such as slacking-off, and starting rumors and conflict that negatively affect productivity and well-being of their co-employees.

#### **2.1.6.3 Lack of Organization Citizenship**

Researches have also proved that employees who think that their company failed to meet commitments will not demonstrate organization citizenship behavior (OCB), or actions that are beneficial to the organization and its members. OCBs directed at co-employees include communicating important work-related information or helping them with a heavy workload. OCBs aimed at the organization include being updated with company developments and voluntarily participating in company activities. These findings show that employees who feel that the company was not able to provide what was promised and therefore rightfully due to them will only do what is required and will not do more for the organization. Psychological contract can be used as a tool to retain employees in the organization. The violation and breach of a psychological contract and trust often results in a decline in employees' willingness to contribute and intentions to stay in an organization. It also results many negative consequences which can be reduced job satisfaction, reduced trust in the organization, increased sarcasm about organizational life in general, and increased intent to quit.

### **2.1.2 Concept of Turnover Intention**

The theory of reasoned action, as explained by Ajzen and Fishbein (1980), suggested that individuals use the information at their disposal in a rational manner to arrive at behavioral decisions. The process is seen as being hierarchical: Starting from beliefs, through attitude and social norms to intention and finally to behavior. The theory proposes that a person's behavioral intention to perform certain behavior is a very close determinant of the behavior (Lane, Mathews & Presholdt, 1988; Tse, Hung & Lam, 2013).

Based on the theory of reasoned action, employee turnover researchers have focused on the relationship between the intention to quit the organization and actual turnover (Manager & Eikeland, 1990). There are many evidences in the literature that confirm the position that turnover intention is the best predictor of actual leaving and therefore can be used as proxy for turnover (Mosley, Horner, & Hollingsworth, 1978).

Intention to leave or turnover intention is defined as employees' willingness or attempt to leave the current workplace voluntarily. It reflects the personal propensity that a worker will leave his organization in upcoming period, since the process consisting of three components, which are psychological, cognitive and behavioral in nature.

Turnover intention may have negative effect or consequences on the employee performance and lose interest in the organization and also reduce their efforts towards discharging their work. Therefore, employee turnover may lead to increase in the cost of recruitment, selection and training of new employees who are to replace those that have left. It is also associated with intangible costs such as: loss of experience, skills, knowledge and productivity (Cable, 2008; Tnay; Othman, Siong & Lim, 2013).

Hence, the psychological contract is the responsibility of both the employee and the employer. Both have separate responsibilities to guard against potential breaches. For the employer, it's about making sure not to give the wrong perception to an employee and to make sure promises are upheld. For the employee, it's about managing their expectations so that difficult situations or adverse personal circumstances aren't seen as negatively impacting productivity. Taking this information into account will help prevent a breach and will lead to a balanced contract between the two sides and retain its employees.

### **2.1.2.1 ANTECEDENTS OF INTENTION TO LEAVE**

There are quite a number of organizational factors that serve as backgrounds of intention to leave. These factors can be grouped into organizational related factors, work environment related factors, and employee's related factors and external factors (Takase, 2010; Matz, et al, 2014).

#### **2.1.2.1.1 ORGANIZATIONAL RELATED FACTORS**

Organizational related factors are found to be associated with the intention to leave; unionization (Stone, et al 2007), profitability (Robison & Pillmer, 2007). Several studies have found that perceived organizational support influences turnover intention, in such a way that employees who perceive less organizational support turn to have high intention of leaving their organizations. It was found that effect of perceived organizational support on intention to stay is more than two times stronger than it effects on intention to leave.

Other organizational related factors include organizational culture and climate factors. The cultural aspect of atmosphere, formalization and service programs impacted on job satisfaction which additionally impacted on turnover intention to quit the organization while connectedness influences turnover intention directly without any intermediation.

In relation to ethical climate, it is also considered as a sign to intention to leave. The employee trust in top management and ethical leadership are highly associated with turnover intentions than their overall trust in the immediate supervisor. This may be due to the fact that when employees lack trust in the top management, it may indicate them that the future with the organization may not be bright.

#### **2.1.2.1.2 WORKPLACE AND JOB RELATED FACTORS**

Workplace and job related factors also serve as background to intention to leave an organization; such as Stress and pressure may increase the turnover intention of employees (Hang-Yue, Foley & Loi, 2005). Role stress includes both role ambiguity and role conflict, also found to be influencing the intention to quit. It was suggested that role stressors of role ambiguity and role conflict significantly affect job satisfaction of employees. It was also suggested that communication satisfaction affects turnover intention because it reduces role ambiguity and role conflict (Madera, et al, 2014).

Exhaustion and work load similarly advancement and career growth are among the factors that also are found to influence the intention to leave (Knight & Leimer, 2010).

The study of Augsberger, Schudrich, McGowan & Auerbach (2012), based on qualitative analysis, reveals that perceived respect is also an important factor that may determine employee intention to leave. The findings also suggested that employees perceive lack of respect in five areas: Organizational support, fair salary and benefits, fair promotion potential, adequate communication and contingent rewards.

#### **2.1.2.1.3 EMPLOYEE RELATED FACTORS**

There are also other employee related factors that have been established in the literature as antecedents to intention to quit. They include a demographic issue such as: gender. Different studies have proven that there are significant correlations between the intention to leave and demographic variables. These studies reveal that the decision or intention of an employee to leave an organization is mostly influenced by demographic variables such as age, work experience, and organizational tenure. This means that as increase in age, experience, tenure and status in an organization, the employee's intention to leave decreases.

#### **2.1.2.1.4 EXTERNAL RELATED FACTORS**

There are factors that are considered as external factors. These may be such factors that are not fully controlled by organization and or employees. These factors may include: Perceived employability and availability of job can motivate employees to consider the option available which is among the steps toward thinking about leaving an organization and ultimately, in the long run may lead to quitting, according to Lambert, et al (2001). Thus, perceived employability does not present a risk of turnover intention.

Employee's turnover is a very important and serious issue in Ethiopian Commodity Exchange. This is due to the fact that the nature of the services rendered by the exchange requires keeping and maintaining competent employees and on the other hand, Recruiting and retaining qualified workforce is one of the major challenges of the business industry in general, Ethiopia Commodity Exchange in particular .

## **2.2 EMPIRICAL LITRARURE REVIEW**

The empirical study concerns on prior academic research on the assessment of psychological contract and employees intention to leave.

Several studies have been conducted to establish the relationship between psychological contract and intention to leave (or quit) or turn over intention. Collins (2010) found that psychological

contract fulfillment was a statistically significant predictor of turnover intention among employees. Psychological contract breach has been found to be positively related to intention to leave an organization. However, empirical studies that looked into relationship between turnover intention and contract types are limited (Mc Innis, 2012).

As stated above, most studies focus on the relationship of organizational commitment and citizenship behavior with some of the result variables such as performance, productivity, job satisfaction, labor management relations which play a crucial role in determining the overall wellbeing of any industrial organization.

In this case there are certain empirical studies undertaken by different researchers related to the psychological contract discussed in the following.

Typically, the fact that employer contract fulfillment is positively related to work outcomes is explained on the basis of Social Exchange Theory and in particular the norm of mutual benefit (Gouldner, 1960). The Social Exchange theory is based on certain expectations. This includes the assumptions based on human nature (individuals) and assumptions based on exchange relationships.

The assumptions based on human nature (individuals) are

- Individual seeks to gain rewards and avoid punishment.
- Individuals are rational beings that seek to minimize cost and maximize profits while interacting with others. And this guides their behaviors through their expectations for rewards and costs.
- The standards that individuals (human) use to evaluate rewards and costs differ from person to person and can vary over time.
- The assumptions based on the nature of exchange relationship are
- Social exchange relationship involves interdependence.
- Social exchanges are determined by norms of reciprocity, justice and fairness.
- Trust and Commitment result from the emergent experience of individuals within relationships and helps time and
- The dynamics of interactions with relationships and the stability of relationships over time result from the contrasting levels of attraction and dependence experienced by the participants in the relationship.

In organization, when workers received several benefits from the organization, the workers will be obliged to fully contribute their own part for the success of the organization. The social exchange theory helps us to understand why employees are likely to vary the performance of their tasks based on the degree of their perceived expectations are fulfilled which will make employees to respond with a positive action.

On the other hand, A study carried out by Ongori, H. (2007) indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary but the costs do not stop there. Each time an employee leaves the firm; productivity drops due to the learning curve involved in understanding the job and the organization. Furthermore, loss of intellectual capital adds to this cost, since not only do organizations lose the human capital, but also competitors are potentially gaining these assets. Therefore, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position.

Therefore, the construction and maintenance of mutual commitment in an employment relationship is a *prima-facie* towards employee retention (ER). Recognizing that the employment relationship is an exchange process, the most sought after lingo '*psychological contract (PC)*' tends to manifest an emotional connection ensuring commitment by the employees towards their organizations (Robinson, 1996). In addition, '*trust*' is a vital element in constructing everlasting human relationships as it creates togetherness, feeling of security and stability. Therefore, in modern times, employers are exercising flexible working arrangements and overabundance of innovative HR practices to uphold the Psychological Contract (Chew and Girardi, 2008).

A similar study conducted by Ahmed and Khan (2015) has affirmed that, The Psychological contract breach is required to be favorably relevant to employees' intention to quit behavior. An organization failing to honor the Psychological contract, results in job dissatisfaction and decrease organizational commitment. Breaches of the Psychological contract are expected to product in opinions of discrimination and such opinions may cause to the worker ending the affiliation because he will think that continuing the relation is not sure to be valuable for him. Robinson and Rousseau (1994) revealed that breach of the contract is the standard rather than the exemption with 59 % of the participants in a research confirming that their company had breached the contract.



It was argued by Guest, Isacson, K. and Witte, H. (2010) that psychological contract was borrowed from the concept of law, which makes the concept difficult to define. The distinction between legal contract and psychological contract is important because regardless of whether a formalized contract exists, individuals develop psychological contract. He also sets out a case for retaining the psychological contract as a focus for policy and research and presents developing theory built around the causes, content and consequences of the psychological contract which implies a rather different research agenda to that which has dominated the debates so far. Rousseau (1998) has argued that scholars on the subject have not equated psychological contract with a legal contract. The confusion between the two is more often explained or characterized by laymen in the subject. From the beginning, we are meant to believe that expectations, promises and obligations are factors that help shape the employee's psychological contract. In management and related fields, such as psychology and organizational studies, the word 'contract' is used as a construct or metaphor.

A study conducted by (Wang, et al 2017) shows that organizational commitment plays a full mediating role in the relationship between transactional psychological contract and turnover intention, and plays a partial mediating role in the relationship between relational psychological contract and turnover intention.

In other words, it is not interpreted as it is used in law. Also, the psychological contract is not a contract that is legally enforceable nor do the parties to the contract have the intention to take legal action against one another.

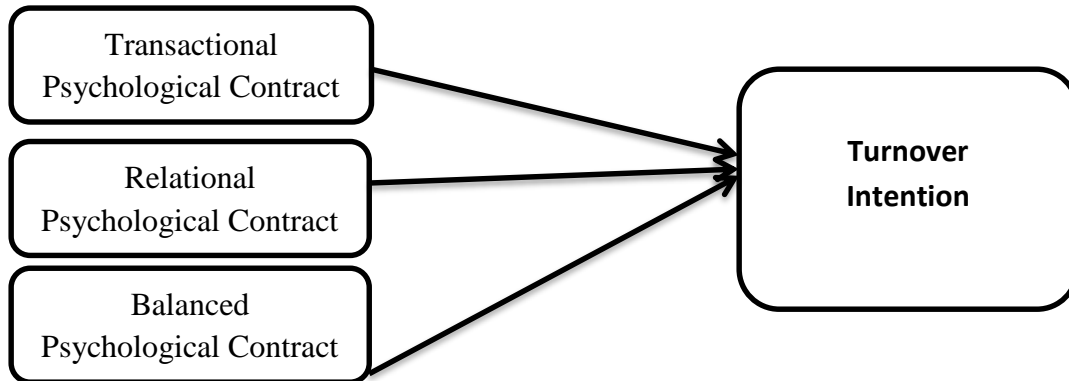
### **2.3 CONCEPTUAL FRAMEWORK**

The conceptual framework is used in study to visualize possible course of action or to present the preferred approach to an idea or thought. It is a type of intermediate theory that attempts to connect to all aspects of inquiry and represented by either graphically or in narrative form of the main concepts or variables, and their presumed relationship with each other. It is usually best shown as a diagram.

The dependable variable in this study is the employee's intention to leave and psychological contract taken as independent variable including the four dimensions (Transactional, Relational, transitional and Balanced). The following conceptual model displays the relationship among the variables.

**Figure 1:-Conceptual Framework**

**Psychological Contract Dimensions (Independent Variable)**



*Source: adapted from literature review*

**Summary**

The literature review focused on comparing and contrasting various studies and points of view associated to the most important aspect of psychological contract and their effect on employee's turnover intention. It covered the concept of psychological contract and behavioral responses to breach or absence of applying psychological contract in relation to the concept of turnover intention, precursors of turnover intention, theoretical and conceptual framework.

In this study, social exchange theory was used as the basis for establishing implications among the variables under study. The theoretical viewpoint of the theory is the account for social structure as a process of negotiated exchanges between parties based on the expectations that inputs will lead to proportionate outcome. This theory laid the basic foundation for understanding the psychological contract. The conceptual framework identified the relationship between the independent variables and the dependent variable used in the study. The study used the three dimensions of psychological contract (relational, transactional and balanced) in developing the hypotheses of the study.

Taking these considerations, this study desires to see the psychology contract influence on employee's intention to leave in ECX.

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

#### **3.1 RESEARCH DESIGN**

The research design for this study would be the Cross-sectional method to assess the influence of psychological contract on ECX employees turn over intention. In cross-sectional method, independent and dependent variables were measured at the same point in time using a single questionnaire (Bhattacharjee, A. 2012). The purpose of this research was to identify if there was a relation between the predictor variable and the response variable. The predictor variable was psychological Contract, and the response variable was turn over intention. Therefore, the study would be also said to be correlation in design because there was the intent to investigate the relationship between dependent and independent variable of the study, according to Reid (1987). In addition to investigate the relationship of the variables, the influence of independent variable (psychological contract) on turn over intention was also determined through regression analysis. Creswell (2005) stressed that, regression was used for explaining a relationship among variables when we are interested in determining whether one or more variables might influence another variable.

#### **3.2 RESEARCH POPULATION**

The research approach which was used for this study was Quantitative in Nature. Creswell (2005) Asserted that quantitative research was a type of research in which the researcher decides what to study, asks specific narrow questions, collects numeric (numbered) data from participants and analyzes these numbers using statistics, and conducts the inquiry in an unbiased, objective manner. To achieve the aforementioned objectives, therefore the study adopts a quantitative research approach, as the methodology to provide a quantifiable statistical analysis of the responses to the survey.

The target population for the study was ECX employees at Head Office and branch offices. The population size was determined based on the number of employees at the ECX Headquarters and branches at regional cities. It was assumed that the various branches of ECX operate in a similar manner with respect to policies and practices though the branches are located in different geographical areas.

The sampling frame from which participants were selected was all professional staffs of ECX employees. The participants (respondents) were selected from all branches of Ethiopia Commodity Exchange and were proportionally selected from each branch excluding senior level managements. To avoid common respondent's bias and also to have more reliable data, response was collected from such diverse professionals on the relation between the dependent variable (turnover intention) and independent variable (psychological contract).

### 3.3 SAMPLE SIZE AND SAMPLING TECHNIQUES

Malhortra and Peterson (2006) stated that, larger the sampling size of a research, the more accurate the data generated but the sample size will be different due to different situation. Due to time and financial limitations and the nature of the population sample determination method developed by Carvalhio (1984), was applied to determine a sample size.

**Table 1:-Sample Size Determination**

<b>Population size</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
<b>51-90</b>	5	13	20
<b>91-150</b>	8	20	32
<b>151-280</b>	13	32	50
<b>281-500</b>	20	50	80
<b>501-1200</b>	32	80	125
<b>1200-3200</b>	50	125	200
<b>3021-10000</b>	80	200	315
<b>10,001-35,000</b>	125	315	500
<b>35001-150,000</b>	200	500	800

Source: Carvalhio (1984)

Therefore, based on Carvalhio (1984) sample size determination method, for this study in order to increase the accuracy of the data, a large sample size was selected. Accordingly, out of total population (1050) as of December 01, 2020, the selected sample size was 125 employees. Thus, 125 respondents participated in this particular study. Finally, stratified random sampling technique was used to distribute the questionnaires to acquire ECX employee's insight towards influence of psychological contract. The table below shows proportionate sampling, which is used to distribute the representative sample size (125) to each division.

**Table 2:-Sample Size Distribution**

Department	% from total employee	Sample size distribution
<b>Warehouse Operations</b>	36%	45
<b>Quality Operations</b>	20%	25
<b>Compliance</b>	16%	20
<b>Market Operations</b>	6.4%	8
<b>Strategy &amp; Corporate Communications</b>	6.4%	8
<b>Facility Management</b>	5.6%	7
<b>Human Resource</b>	3.2%	4
<b>Finance</b>	2.4%	3
<b>Information Technology</b>	2.4%	3
<b>Internal Audit</b>	1.6%	2
<b>Total</b>	<b>100%</b>	<b>125</b>

*Source; Computed by the researcher, 2020*

### **3.4 TYPES OF DATA AND TOOLS**

To collect data both primary and secondary source of data were used. The primary data was collected from the research participants through structured and self-administered questionnaire. Secondary data was collected from Ethiopia Commodity Exchange strategic plan, annual report, books, website, manuals, brochure, proclamations, and regulations.

#### **3.4.1. DATA COLLECTION**

To collect data from appropriate parties, the researcher obtained permission from St. Mary's school of graduate studies department of business administration. The developed questioner approved by the researcher Advisor. A letter was sent to ECX head office in Addis Ababa, seeking permission to run a survey on their employees Data from both primary and secondary sources was used.

##### **3.4.1.1 PRIMARY DATA SOURCE**

Primary source of data was used to undertake the study. The information gathered through questioners from sample chosen respondents. The main advantage with this type of data collection is that: -

- Responses could be easily quantified and summarized.
- Data could be collected quickly, inexpensively and efficiently; and
- A large number of participants could be reached in a short span of time

Since the data was collected from Addis Ababa and different branch operations, Questionnaires were distributed via email and personally administered by hand to the selected participants and the researcher together with the support of branch operation managers approached the respondents one by one to get the questioner filled.

#### **3.4.1.2 SECONDARY DATA SOURCE**

The secondary data source collected from different published and unpublished materials like journals, articles, text book, and organization manuals reports and any other secondary source which support the study area. With this study report of data about the employees and structure about districts was used as secondary sources of the data.

#### **3.5 PROCEDURES OF DATA COLLECTION**

During the literature review many similar studies used quantitative research and all variables could be measured by questioners. Questioners are preferred due to its ability to collect data from the respondents with in a limited time frame. The questioners consist of three parts including demography section. In each section, there are several questions concerning a particular topic. Part one contains questions related to respondent's demography. Part two contains questions of psychological contract. The third part asks questions related to employees turnover intention. Each statement was coded since statically Package of Social Science (SPSS) was used in the analysis. All survey items utilize five-point Likert Responses scale ranging from -2 to +2 from strongly disagree to strongly agree the survey along with cover letter was send to employees located in distance through email.

#### **3.6 METHOD OF DATA ANALYSIS AND INTERPRETATION**

The data analysis was conducted by using both descriptive and statistical regression. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to summarize and present the data. Likewise, tables were used to increase understanding and facilitate easy comparison of the data collected from the survey. With regard to statistical regression, multiple regression was used to examine the significance influence of each

independent variable to the dependent variable which is turn over intention. Lastly major findings were interpreted based on the result.

### 3.7 VALIDITY, ETHICALITY AND RELIABILITY OF THE STUDY

In order to ensure the quality of the research design, pilot test was conducted prior to the actual data collection that could help to get valuable comments. Furthermore, in order to test the construct validity, correlation coefficient for the independent and dependent variables was calculated to ensure that independent variables are positively related with the dependent variables. Thus, the independent variables can be considered as a good measure of employee commitment.

Furthermore, one of the most commonly used indicators of internal consistency is Cronbach’s Alpha coefficient and ideally this coefficient should be above .7 (Pallant, 2005). Thus, reliability of the measures ensure that they are free from error and produce consistent results. After managing the entire questionnaire, reliability test was made. The reliability was checked by using Cronbach’s alpha instrument.

### 3.8 CRONBACH’S ALPHA ANALYSIS

Reliability analysis was used to ensure that all items used in each variable are free from error, therefore, providing consistent results. The reliabilities of scales used were assessed through determination of Cronbach’s alpha and ideally this coefficient should be above .7 (Pallant, 2005). The Cronbach’s alpha obtained for this study were conducted on relational, transactional, balanced psychological contract and intention to leave and are shown in the table below.

**Table 3: - Reliability Statistics**

<i>Variables</i>	Cronbach’s Alpha Coefficient	Number of Items
<i>Relational Psychological Contract</i>	0.818	8
<i>Transactional Psychological Contract</i>	0.748	8
<i>Balanced Psychological Contract</i>	0.925	9
<i>Turnover Intention</i>	0.743	2

*Source; Survey data (2020)*

**Table 4: - Summary of Reliability Statistics**

Cronbach's Alpha	N of Items
.761	27

*Source; Survey data (2020)*

### **3.9 ETHICAL CONSIDERATIONS**

To preserve the researcher ethics, the student researcher guarantees the safety of respondents through honest and secure and also not to reveal the name of respondents in the questionnaire and in the reports of the findings. Hence, the data collected kept confidentially and executively and used for academic purpose only. Generally, the researcher attempts to keep the independence, willingness and freedom of those respondents. And all the reference material used for this research was acknowledge with proper citation.

### **3.10 OPERATIONAL DEFINITION**

#### **3.10.1 Independent Variables (Explanatory Variables)**

**Transactional psychological contracts:** transactional contracts as a reference to employment arrangement with a limited duration primarily focused on economic exchange, specific narrow duties and limited worker involvement in the organization, according to Rousseau (2000).

**Relational psychological contracts:** explain the nature of relational psychological contracts; have stated that it can be characterized by long term employment relationship in which the mutual obligations cannot be unambiguously specified.

**Balanced psychological contract:** combines the open-ended time frame and mutual concern of relational agreement with the performance, demand and renegotiation of transactional contracts (Wangithi & Muceke, 2012).

#### **3.10.2 Dependent Variables (Explained Variable)**

**Turnover Intention (TIN);** Intention to leave is well-defined as an employee's plan for intention to leave the present job and look onwards to find another job in the near future (Purani&Sahadev, 2007; Weisbeg, 1994).



## **CHAPTER FOUR**

### **4. RESULTS AND DISCUSSION**

This chapter presents the data analysis and discussion of the research findings acquired from collected data using the survey questionnaire. Responses for the measures on the questionnaire are summarized and presented using tables to enable easy understanding.

The demographic profiles of the study sample have been defined using descriptive statistics and similarly different inferential statistics were used in order to analyze data obtained from the survey. Accordingly, standard multiple regressions were used to test hypothesis and achieve the study objective that focuses on identifying psychological contract trait with higher contribution to the dependent variable (turnover intention). Furthermore, Pearson correlation coefficient and Cronbach's Alpha coefficient were used to test reliability and internal consistency of the measure.

#### **4.1 DESCRIPTIVE ANALYSIS**

##### **4.1.1 DEMOGRAPHIC PROFILE OF RESPONDENTS**

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, work experience, employment group and marital status. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, education level, marital status and employment group, so that the analysis could be more meaningful for readers.

**Table 5: Demographic Profile of Respondents**

<b>SEX</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>Male</b>	83	78.3
<b>Female</b>	22	20.8
<b>Age (In years)</b>	<b>Frequency</b>	<b>Percent</b>
<b>21-30</b>	30	28.3
<b>31-40</b>	62	58.5
<b>41-50</b>	13	12.3
<b>51 and above</b>	1	0.9
<b>SERVICE YEAR IN THE COMPANY</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>&lt;1 Year</b>	7	6.6
<b>1-5 Years</b>	46	43.4
<b>6-10 Years</b>	37	34.9
<b>11 Years and above</b>	16	15.1
<b>EDUCATION LEVEL</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>Masters and above</b>	22	20.8
<b>First Degree</b>	82	77.4
<b>Diploma / Level IV</b>	2	1.9
<b>MARITAL STATUS</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>Single</b>	52	49.1
<b>Married</b>	47	44.3
<b>Widowed</b>	2	1.9
<b>Divorced or Separated</b>	5	4.7
<b>EMPLOYMENT GROUP</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>Management</b>	25	23.6
<b>Non- Management</b>	80	75.5

Source; Survey data (2020)

Table 5 visualizes the demographic profile of 106 respondents. In terms of gender, respondents were roughly proportionate between male and female, even though the numbers of male respondents are higher (female 20.8%, male 78.3%). Regarding the age of respondents, the sample population is largely dominated by the age group of 31-40 (58.5%) followed by the group comprise age of 21-30 (28.3%). This indicates that most of the sample populations are youngsters. The remaining groups' respondent consists, 13 employees (12.3%) with the age of 41-50 and employees (0.9%) in between the age of 51 and above.

When looking at the tenure of respondents in the company, 43.4% of the respondents have 1-5 years of experience in the company and these takes the majority. 34.9 % and 15.1 % of the respondents have 6-10 years and 11 years and above experience respectively. Furthermore, majority of the respondents 80 (75.5%) are in non-managerial group and the remaining 25 (23.6%) respondents are on managerial position holders. In terms of education, 1.9 % of respondents have received Diploma, while 20.80% of the respondents are postgraduate degree or above holders. Moreover, the largest group; 77.4% of the population comprises first degree holders. In the same token, demographic profile of respondents shows almost half of respondents or 49.1% are married which followed single employee of 44.3%. The rest 4.7% & 1.9% was divorced and widowed respectively.

#### **4.1.2 DESCRIPTIVE ANALYSIS ON MEAN AND STANDARD DEVIATIONS MEASURES**

In order to see the overall perception of the respondents regarding the selected psychological contract in Ethiopia Commodity Exchange, the researcher has summarized the measures with the respective means, standard deviations, skewness and kurtosis.

Thus, the mean indicates to what extent the sample group averagely agrees or does not agree with the different statements. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement. The mean score from 0.01 to 1.00 is (strongly disagree); to 2.00 is (disagree); from 2.01 until 3.00 is (neutral); 3.01 until 4:00 is (agree); mean score from 4.01 until 5.00 is (strongly agree)

On the other hand, standard deviation shows the variability of an observed response from a single sample Marczyk, Dematteo and Festinger (2005). The mean, Skew ness and kurtosis values are presented in the below table together with standard deviation values for each variable.

##### **4.1.2.1 PSYCHOLOGICAL CONTRACT**

Psychological Contract is an unspoken contract between an individual and the organization which specifies what each expects to give and receives from each other in the relationship. Each variable under the three dimensions of psychological contract is described to explain the practice of ECX in order to determine the extent of the employees' agreement with relational, transactional and balanced psychological contract.

**Table 6 Psychological Contract Attribute- Relational Psychological Contract**

Descriptive Statistics			
No.	Variables	Mean	Std. Deviation
1	My employer has concern for my personal welfare.	3.1698	1.19898
2	My employer is responsive to my personal concerns and well-being.	3.2075	1.11027
3	My employer makes decisions with my interest in mind.	2.7453	.99581
4	My employer has concern for my long-term well-being.	3.0189	1.09528
5	My employer provides secure employment.	3.3113	1.03614
6	My employer pays wages and benefits that I can count on.	3.2925	1.01387
7	My employer provides steady employment	3.2358	1.00997
8	My employer provides stable benefits for employee’s families.	3.2453	1.15314
	<b>Average of the mean</b>	<b>3.15</b>	

Source: - Survey data, 2020.

As indicated in table 6, most of ECX employees agreed on that the organization provides secure employment with regard to its employee’s personal welfare (with the largest mean value of 3.31) and provide stable benefit for their families also, which was the second largest mean value of 3.24. On the other hand, the mean value (2.7) for item 3 shows that employees disagree that decisions have been made with employee’s interest in mind. This implies that there was no communication between the management and employees prior to decisions have been made.

**Table 7 Psychological Contract Attribute- Transactional Psychological Contract**

Descriptive Statistics			
No	Variables	Mean	Std. Deviation
1	My employer provide job to me only as long as he needs me.	2.9151	1.12223
2	My employer makes no commitments to retain me in the future.	2.4717	1.05296
3	My employer provides me with short term employment.	2.0943	.86771
4	My employer provides job for a short term only.	1.9434	.95449
5	My employer provides me with limited involvement in the organization.	2.7830	1.13812
6	My employer provides me with training only for my current job.	3.3585	1.13128
7	My employer provides me with job limited to specific, well defined responsibilities.	3.2925	1.02323
8	My employer requires me to perform only a limited set of duties.	3.0283	1.05521
	<b>Average of the mean</b>	<b>2.73</b>	

Source: - Survey data, 2020.

As indicated in table 7, most of ECX employees agreed on the organization provides training that helps them only for their current job (with the largest mean value of 3.35) and the next highest mean score was 3.29 for item 3 which indicates that ECX provides job with specific and well-defined responsibilities also. On the other contrary, the mean value (1.9) for item 4 implies employees have strongly disagreed with that ECX provide jobs for a short-term period only. This implies that ECX provides stable job opportunity.

**Table 8 Psychological Contract Attribute- Balanced Psychological Contract**

<b>Descriptive Statistics</b>			
<b>No.</b>	<b>Variables</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	My employer supports me to attain the highest possible level of performance.	3.2547	1.11322
2	My employer helps me respond to ever greater industry standards.	2.9151	1.06116
3	My employer supports me in meeting increasingly higher goals.	3.2170	1.10415
4	My employer enables me to adjust to new, challenging performance requirements.	3.3019	.95787
5	My employer provides opportunity for career development within this organization.	3.0755	1.12714
6	My employer encourages developmental opportunities within this Organization.	3.1226	1.19286
7	My employer provides opportunities for promotion.	3.3113	1.07228
8	My employer helps me develop externally marketable skills.	2.8113	.95731
9	My employer provides job assignments that enhance my external marketability.	2.8962	.93533
	<b>Average of the mean</b>	<b>3.09</b>	

*Source: - Survey data, 2020.*

Most respondents of ECX employees agreed with highest mean score of 3.31, as shown in table 8, which indicates that the organization provides promotional opportunities for its employees and mean score of 3.30 for item 4 indicates that ECX empowers its employees by adjusting them to new challenging performance requirements. On the contrary, the mean value (2.8) for item 8 implies employees have disagreed with that ECX does not help them to develop externally marketable skills.

**Table 9 Turnover Intention**

<b>Descriptive Statistics</b>			
<b>No.</b>	<b>Variables</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	I often look for job opportunities outside this organization	3.2736	1.21524
2	I would like to be very happy to spend the rest of my career with this organization	3.1038	1.18667
	<b>Average of the mean</b>	<b>3.18</b>	

*Source: - Survey data, 2020.*

On the other hand, two items were included on the survey questionnaire to measure employee’s turnover intention. As depicted on the above table, mean score of 3.27 implies that the respondents are mostly agreed on that they were often looking for job opportunities outside the organization. The obtained mean score for this item was 3.51, which was above 3. therefore, it’s possible to infer that there is high level of intention to leave the organization. However, the rest of them would like to spend the rest of their career in ECX.

In general, the mean score for relational psychological contract was relatively high (3.15). This indicates that employees give more value for the existence of secure employment with in ECX. This implies the majority of the respondents agree that the company provides secure employment with stable benefit including employee’s families. Next to relational psychological contract, the mean score of balanced psychological contract is higher (3.09). This result indicates the majority of the respondents perceived that the company provides opportunity for promotion. On the contrary, they also dis agreed that ECX to provide job assignments and helps them to develop externally marketable skills. Transactional psychological contract score 2.73 indicating that most of the respondent agreed on the organization provides training that support employees for their current jobs only and strongly disagreed on the provision of short-term job opportunities in the organization.

**Table 10 Skew ness and Kurtosis**

	N	Skew ness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
RPC	106	-.004	.235	-.414	.465
TPC	106	.588	.235	.530	.465
BPC	106	-.525	.235	.162	.465
Turnover Intention	106	.093	.235	-.620	.465
Valid N (listwise)	106				

*Source; Survey data (2020).*

**4.1.3 DESCRIPTIVE ANALYSIS ON SKEWNESS AND KURTOSIS MEASURES**

According to Brown (2016) if skew ness shows between -1 and -0.5 or between 0.5 and 1 the distribution is moderately skewed. According to the above table 10 result we can conclude that the variables are moderately skewed. While if the skew ness is less than 3, its tails are shorter and thinner, Baron (2016). According to the above table 10 the kurtosis is less than 3 it implies as its tails are shorter and thinner as compared to normal distributions.

**4.2 ANALYSIS OF INFERENTIAL STATISTICS RESULTS**

One of the main objectives of the study is to assess the relationship that the selected psychological contract have with employee’s turn over intention. For this purpose, inferential statistics of correlation and regression analysis have been used and the results are presented in the below sections.

**4.2.1 CORRELATION ANALYSIS**

Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the strength of the relationship (-1.0 to +1.0). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

As per Marczyk, et al (2005) correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large.

In interpreting the values between 0 and 1, the following guideline was suggested by Cohen (1998)  $r=0.10$  to  $0.29$  or  $r=-0.10$  to  $-0.29$  small;  $r= 0.3$  to  $0.49$  or  $r= -0.30$  to  $-0.49$  medium;

$r=0.50$  to  $1.0$  or  $r=-0.50$  to  $-1.0$  large. The result of the Pearson correlation is presented in the table below.

**Table 11 Correlation Analysis**

Correlations		RPC	TPC	BPC	Turnover Intention
RPC	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	106			
TPC	Pearson Correlation	-.358**	1		
	Sig. (2-tailed)	.000			
	N	106	106		
BPC	Pearson Correlation	.623**	-.368**	1	
	Sig. (2-tailed)	.000	.000		
	N	106	106	106	
Turnover Intention	Pearson Correlation	-.449**	.314**	-.392**	1
	Sig. (2-tailed)	.000	.001	.000	
	N	106	106	106	106

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source; Survey data (2020).

Table 11 indicates that psychological contract dimensions were all significantly negatively related to each other except the relationship between relational psychological contract and balanced psychological contract. Relational psychological contract was significantly positively related to balanced psychological contract ( $r = .623$ ,  $p < .01$ ). Transactional psychological contract and balanced psychological contract were significantly negatively related to each other ( $r = .368$ ,  $p < .01$ ) and also transactional psychological contract and relational psychological contract also have negative relationship between each other ( $r = .358$ ,  $p < .01$ ). Thus, in terms of ranking, the relationship between relational psychological contract and balanced psychological contract was the highest. This was followed by the relationship between transactional psychological contract and balanced psychological contract.

Regarding the relationship among the independent variables and turnover intention of employees in ECX, as shown in the above Pearson correlation coefficient table, the three factors measuring psychological contract were negatively related with employee's turnover intention, except



transactional psychological contract, within the range of -0.392 to 0.314 and all were significant at  $p < 0.01$  level.

This outcome is not consistent with the findings of some previous studies such as Raja et al (2004), Ulhaq et al (2011) and Mc Innis (2012). There was no significant relationship between transactional psychological contract and turnover intention ( $r = -.022$ ,  $p = .608$ ). This finding is not consistent with finding of some previous studies such as Raja et al (2004) and Mc Innis (2012). There was significant negative relationship (inverse relationship) between balanced psychological contract and turnover intention ( $r = -.181$ ,  $p < .01$ ).

On the other hand, Wang et al (2017) were found that, transactional ( $r = -.223$ ,  $p < .01$ ) and relational psychological contract ( $r = -.488$ ,  $p < .01$ ) have negative relationship with turnover intention. Salisu, U. (2016) has also found that transactional and relational psychological contract has no significant effect on turn over intention with p-values of ( $B = .026$ ,  $t = .593$ ,  $p = .554$ ) and ( $B = .015$ ,  $t = .349$ ,  $p = .727$ ) respectively.

Unlike the finding of past studies mentioned above, this study finds out that the three factors measuring psychological contract score within the range of 0.314 to 0.623 correlation coefficients with employee's turnover intention. Thus, result of the independent variables relational, transactional and balanced psychological contract show a moderate level of negative and positive relation with the dependent variable. This finding is consistent with the findings of other researchers.

#### **4.2.1.1 PRELIMINARY TEST FOR REGRESSION**

Prior to testing the research hypotheses, the data were examined to ensure that it met the main assumptions of regression analyses. To achieve the underlying assumptions of multiple regression, the variables were checked for sample size, normality, linearity, multi collinearity and homoscedasticity of residuals as suggested by Pallant (2007).

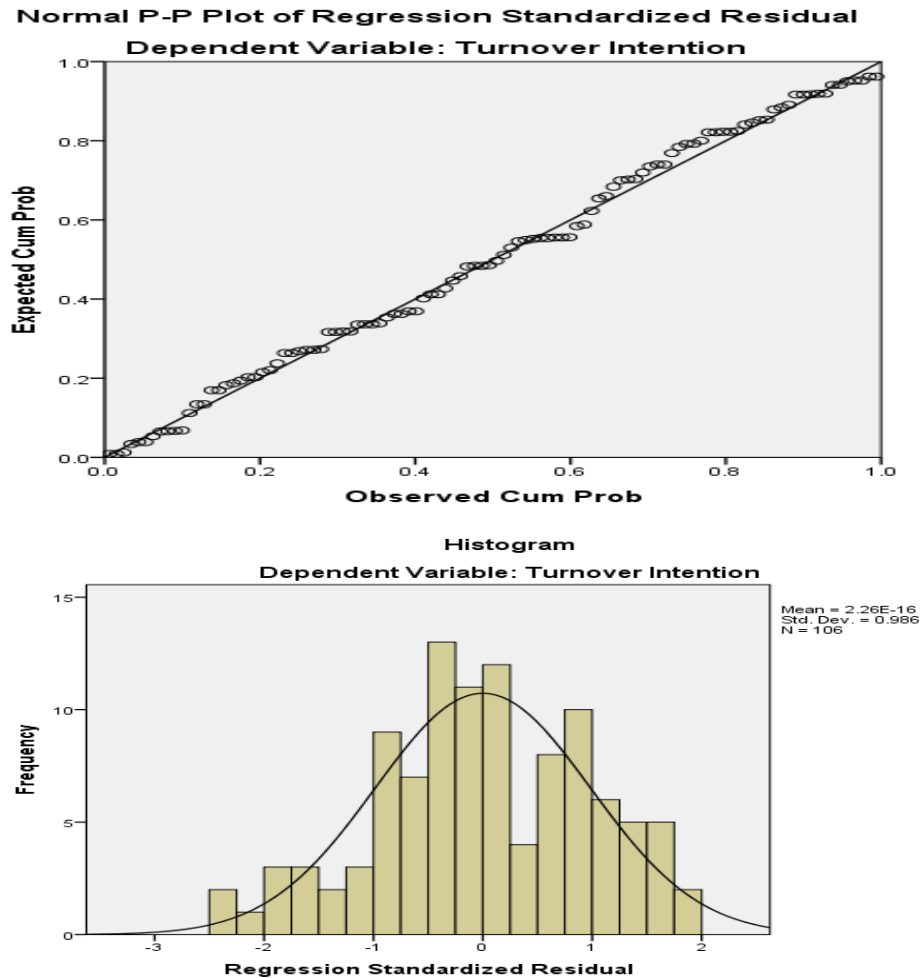
##### **1. SAMPLE SIZE**

Out of the 125 questionnaires distributed, 110 filled questionnaires were collected. Of which, two overrated responses (5 on all measure), one underrated response paper (rating of 1 & 2 for all measure) and one has rated 3 (neutral) for all measures were identified. Therefore, the researcher has excluded these responses and lowering the number of filled questionnaires to 106 which gives a response rate of 85%.

## 2. NORMALITY

In order to make valid references from the regression, the residuals of regression should follow a normal distribution. If we examine a normal predicted probability (P-P) plot, we can determine if the residuals are normally distributed. The residuals are simply the error terms, or the difference between the observed value of the dependent variable and the predicted value.

Figure 2:- Normality Distribution



As

shown on the Fig 2 above the residual is normally distributed and the assumption was satisfied for the dependent variable. If the data are normally distributed then the data points was close to the diagonal line.

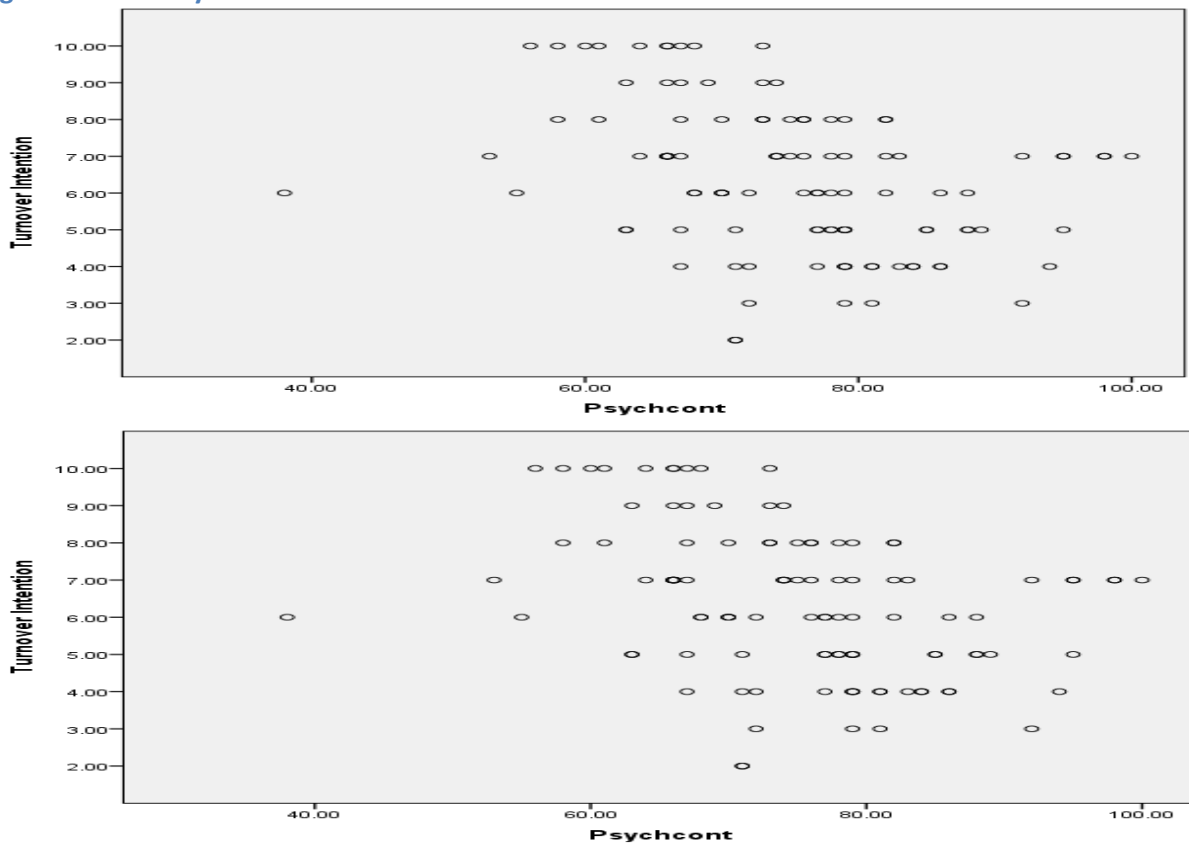
Figure 2 of the normal probability plot pictorially representing that the normality assumption was achieved since the plot is close to the straight line, hence these was demonstrating that normality assumptions have not been violated.

This shows that the dependent variable of employee's turnover intention and employee's psychological contract result shows the normal distribution of the residuals around its mean of Zero.

### 3. LINEARITY

To check for linearity, this study used the residual scatter plot. Linearity tastes aims to determine the relationship between the independent variables and the dependent variable linear or not. Multiple regressions assume a linear relationship between the independent and dependent variable. Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable.

Figure 3:- Linearity



Source: Survey data 2020

#### 4. MULTICOLLINEARITY

Multi collinearity occurs when there were two or more independent variables that are highly correlated with each other. Similarities between the independent variables will result in a very strong correlation. If the VIF values lies between 1- 10 then there is no multi collinearity. According to Kennedy (2008) suggests that any correlation coefficient above 0.7 could cause a serious multi collinearity problem lead to inefficient estimation and less reliable results. Therefore, from the below table the VIF values is between 1-10. Therefore, there is no multi collinearity. The tolerance value also greater than .01 which indicates no multi collinearity between variables. The below table shows the tolerance level and VIF values for the independent variables.

**Table 12 Tolerance and VIF Values**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.760	1.441		6.079	.000		
	RPC	-.100	.037	-.302	-2.693	.008	.592	1.690
	TPC	.062	.039	.151	1.599	.113	.837	1.195
	BPC	-.044	.033	-.149	-1.322	.189	.588	1.701

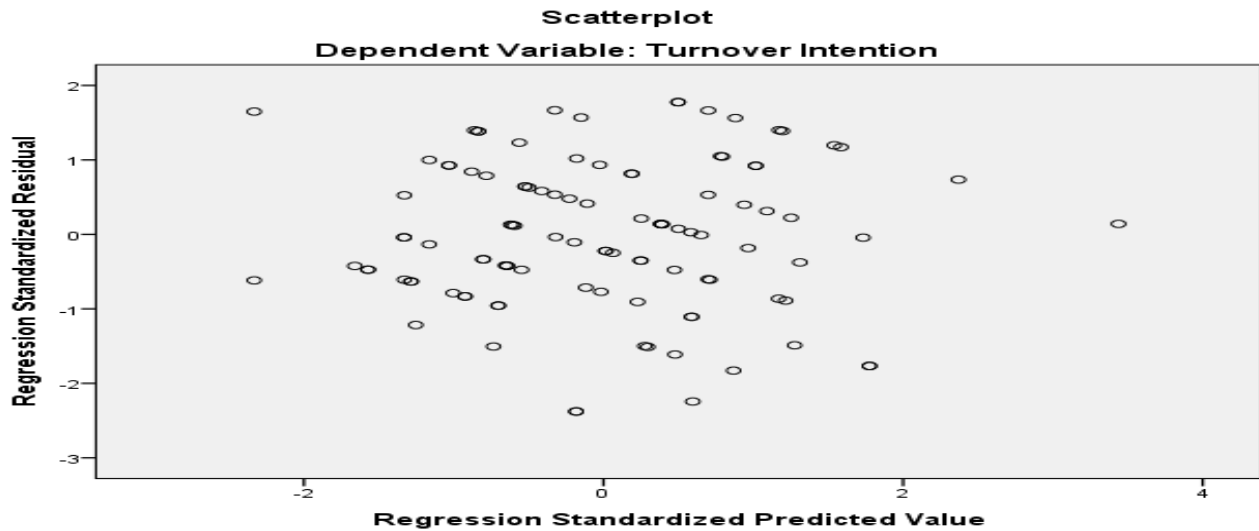
a. Dependent Variable: Turnover Intention

Source: Survey data 2020

#### 5 HOMOSCEDASTICITY

Homoscedasticity states that whether the residuals are equally distributed, or whether they tend to bunch together at some values, or at other values, spread far apart. There are points equally distributed above and below the x-axis and to the left and right of zero on the y-axis. The data is homoscedasticity if it looks a shotgun blast rather than a cone or fan shape. As the below Fig shows that, the spread of residuals randomly distributed shows equality of variances or homogeneity of variances. Which indicates it is constant across the linear model. This shows no violation of homoscedasticity.

Figure 4:-Homoscedasticity



#### 4.2.2 REGRESSION ANALYSIS

In order to see influence each psychological contract traits on employee turnover intention, standard multiple regression analysis was employed. The regression model presents how much of the variance in employee turnover intention is explained by the selected psychological contract traits: relational, transactional and balanced. As shown on the table below, 24% variation in employee turnover intention is explained by a one-unit change in psychological contract (where by R square is .241 and adjusted R square is .219). The remaining change is explained by factors that are not explained in the model.

Table 13 Multiple Regression result of selected psychological contract traits and employee turnover intentions

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.491 <sup>a</sup>	.241	.219	1.77383	.241	10.696	.000
a. Predictors: (Constant), BPC, TPC, RPC							
ANOVA <sup>a</sup>							
Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	100.968	3	33.656	10.696	.000 <sup>b</sup>	
	Residual	317.793	101	3.146			
	Total	418.762	104				
a. Dependent Variable: Turnover Intention							
b. Predictors: (Constant), BPC, TPC, RPC							

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.752	1.449		6.038	.000
	RPC	-.100	.037	-.302	-2.682	.009
	TPC	.062	.039	.151	1.597	.113
	BPC	-.044	.033	-.149	-1.314	.192

a. Dependent Variable: Turnover Intention

Source; Survey data (2020)

Furthermore, the ANOVA table shows the overall significance / acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value .000, which is less than  $p < 0.05$ , implies the model is significant. This indicates that the variation explained by the model is not due to chance.

As it is indicated previously in first chapter, this study aims to identify the most contributing independent variables in the prediction of the dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated through standardized Beta coefficient.

Hence, the regression coefficient explains the average amount of change in dependent variable that caused by a unit of change in the independent variable. Therefore, relational psychological contract is the most important psychological contract variable in the prediction of employee turnover intention with beta value -0.302. The other two psychological contract traits, in their descending order of standardized coefficients, are transactional (B=.151 and balanced psychological contract (B=-.149) that the variables are making significant to the estimation of employee turnover intention. In addition, table 4.5 depict that significance levels of relational, transactional and balanced psychological contract as .009, .113 and .192 respectively. This indicates that there is statistically significant relationship between relational psychological contract (which was less than 0.05,) and the dependent variable (turnover intention) and hence, alternative hypotheses related to relational, transactional and balanced psychological contract was accepted.

#### 4.2.3 TEST OF HYPOTHESES

Table 14 Summary of overall outcome of the research hypothesis

Hypothesis	Result
<b>Ho: Relational psychological contract has no significant influence on employees' turnover intention in ECX.</b>	B = 0.009 p < 0.05 Ho: Rejected
<b>H1: Relational psychological contract has significant influence on employees' turnover intention in ECX.</b>	H1: Accepted
<b>Ho: Transactional psychological contract has no significant influence on employees' turnover intention in ECX</b>	B = -0.113 p < 0.05 Ho: Rejected
<b>H1: Transactional psychological contract has significant influence on employees' turnover intention in ECX</b>	H1: Accepted
<b>Ho: Balanced psychological contract has no significant influence on employees' turnover intention in ECX</b>	B = -0.192 p < 0.05 Ho: Rejected
<b>H1: Balanced psychological contract has significant influence on employees' turnover intention in ECX</b>	H1: Accepted

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 5.1. SUMMARY OF FINDINGS

This section summarizes major findings and core points which were acquired from data analysis of the survey questionnaire.

- The mean score for the measures of relational psychological contract was relatively high (3.15), followed by balanced psychological contract (3.09) and transactional psychological contract (2.73).
- Mean score of relational psychological contract was relatively high (3.15) implies that the respondents are mostly agreed on the organization provide secure employment and stable benefits for their families, rather than helping them to develop externally marketable skills. In addition, the mean score for balanced psychological contract (3.09) revealed that decisions have not been made with employee's interest in mind. This implies that there was no communication between the management and employees prior to decisions have been made.
- Pearson coefficients implies that the three factors measuring psychological contract were positively and negatively related with employee's turnover intention within the range of -0.358 to 0.623, all were significant at  $p < 0.01$  level.
- Findings from the multiple regression analysis depict, 24% variation in employee turnover intention is explained by one-unit psychological contract (where by R square is .241 and adjusted R square is .219). Furthermore, the significance value of F statistics shows a value .000, which is less than  $p < 0.05$ , implies the model is significant.
- Relational psychological contract is the most contributing psychological contract traits in the prediction of employee commitment with beta value .302. The other two psychological contract, in their descending order of standardized coefficients, are transactional ( $B = .151$ ), and balanced psychological contract ( $B = .149$ ).
- There is no possibility of multi collinearity among the variables which was asserted by tolerance values greater than 0.1 and VIF value less than 10.
- Statistically significant of the three psychological contract shows there is relationship between them and the dependent variable (turnover intention) in



which  $p < 0.05$ . Accordingly, alternative hypotheses related to relational, transactional, and balanced psychological contract were accepted. It implies that the three psychological contracts have significant effect on the level of employee turnover intention.

## **5.2 CONCLUSIONS**

Employees are very important resources in any organization because they are the foundation upon which organizations are built. Understanding the nature of workplace relationship is vital to both employers and employees, because their behaviors are essential for providing quality products or services to customers. There is also growing concern among the management in Ethiopia Commodity Exchange about the degree of labor turnover and employee engagement. Psychological contract was an important concept that has been established in the literature to affect employee's turnover and turnover intentions. Therefore, the main objective of this study was to examine the influence of psychological contract in the Ethiopia Commodity Exchange.

This study used a sample of 125 employees and collected data using questionnaire. But, only 106 questionnaires were fully completed and returned. The questionnaire used was assessed its reliability in the context of Ethiopia Commodity Exchange. Therefore, Cronbach's alpha coefficient was used to determine reliability in which all the variables were found to be consistent and reliable.

The data analysis revealed that the respondents greatly agreed on the existence and more practiced among the psychological contract traits in ECX was relational psychological contract and balanced psychological contract, respectively. The results indicate that the respondents hold similar values, attitudes, and beliefs on existence of relational psychological contract.

Among psychological contract indicators, relational psychological contract has significant coefficient on employee's turnover intention with direct negative relation. Its implication is that providing of secure employment, stable benefit including dependents and making decisions with employee's interest in mind was crucial to Ethiopia Commodity Exchange employees.

In general, as per the findings of the study, relationship among psychological contract and employee's turnover intention is moderate relation with positive (with transactional psychological contract) and negative relationship (with both relational and balanced psychological contract). Hence, despite possible factors associated to the individual employee's personality traits and prior job experience, employees are influenced by their perception of the nature of psychological contract with their employers.

Finally, the researcher concluded that, the overall employee's intention to leave the organization was high and this indicates that ECX human resource management does not give high attention to employee's psychological contract. Because, most of the employees confirmed that they often look for job opportunities outside the organization.

Consequently, it could be concluded that if ECX employees perceive decisions have been made with their interest in mind and if long term developmental opportunities provided in their organization, they are likely not to have turnover intention.

### **5.3 RECOMMENDATION**

Depending on the findings of the study and conclusions made, the researcher came up with some important recommendations which would help the organization to focus on psychological contract that can largely contribute to the improvement on the level of employee's turnover intention. The recommendations given are the following:

- The mean and standard deviation of relational and balanced psychological contracts are high, which highlight that the organization has already practiced these psychological contract traits. Mainly, this research found that the influence of relational and balanced psychological contract to employee's turnover intention was high.
- ECX should continue in its efforts at maintaining effective career development opportunities employment and also at maintaining very good personnel welfare and wellbeing, including employee's dependents. ECX management should also have to consider nurturing the development of positive perception through alignment of employee's perception by encouraging long-term career progression and developing employee's external marketability. In order to let employees, perceive that decisions have been made with employee's interest in mind, the management should be more open communication is needed especially before arriving at vital decisions.
- The measure on transactional psychological contract shows the fact that indicates there was positive relation with turnover intention. Since, it is a very important tool for enhancing the relationships between employer and employees, ECX management should have to provide more long term developmental opportunities and provide more opportunities of involvement in the organization, making them feel valuable for the organization and informing them about their contribution to the organization, allowing employees to develop themselves, the creation of learning organization structure.

- When we come to the traits of psychological contract, relational psychological contract has significant coefficient on employee's turnover intention with direct negative relation. Thus, ECX management should have to drive its human resources policies and strategies to be stronger on applying relational psychological contract among employees concerning the involvement on the decision-making process.

Lastly, since employees are the foundation for any organization to build on, they are very important resources in any organization. In relation with that, understanding the nature of workplace relationship is very important to both employers and employees, because their behaviors are central to providing quality products or services to customers. Therefore, identifying which dimension of Psychological contract was very important constructs that have been established in the organization and upgrading the current practice could be significant to affect employee's turnover intentions.

#### **5.4. LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES**

Despite the study provides a platform for psychological contract and turnover intention studies especially in the Ethiopian context, it has potential limitations as discussed below.

- The data collection procedures utilized by the current study was cross sectional /single point data collection using quantitative research design to gather response from employees but this is limited to one point in time. Thus, future researchers could use longitudinal design and incorporate qualitative questions to clarify the effect of each psychological contract traits to employee's turnover intention.
- The study has done on a single organization which makes it indicative but not fully conclusive. Hence, future studies in this area could be done in a broader & wider scope to include other companies and increase conclusiveness of the findings.
- The study focused only on three components of psychological contract, which are relational, transactional and balanced. But it should be noted that the result can be different with other components like transitional.
- In addition, further studies can be conducted on the influence of psychological contract on employee turnover intention in the context of other industries and countries. In addition, future researchers can investigate other factors that influence employee turnover such as compensation, job satisfaction, job characteristics, etc.

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## APPENDICES

### ACADEMIC RESEARCH QUESTIONNAIRE

Dear Sir/Madam,

My name is Eyerusalem Fekade and I am a postgraduate student in the department of Business Administration at St Mary's University. I am conducting a research on the psychological contract Influence of ECX employees and their intention to leave. This questionnaire will enable me to draw conclusions about the behaviour of employees engage in at this company.

Please be confident that your responses will only be used for academic purpose. Hence, your identity will never be known throughout any part of the research process. If you are interested in the study I am conducting or have any questions about it, please do not hesitate to contact me using my cell number or email address depicted below.

Thank you very much in anticipation of your responses.

Yours sincerely,

Eyerusalem Fekade

Phone No. +2519 11 07 07 94

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**PART A: INSTRUCTION:**

Please read and **tick** as appropriate in the provided boxes your exact assessment of the following demographic information:

**1. What is your gender?**

Male	1
Female	2

**2. What is your age?**

21-30	1
31-40	2
41-49	3
51 and above	4

**3. How long have you been in the present job?**

Less than 1 year	1
1-5 years	2
6 -10 years	3
11 years and above	4

**4. Highest Educational Qualification**

Above	1
Master's Degree	2
First Degree	3
Diploma	4

**6. What is your marital status?**

Married	1
Single	2
Widowed	3
Divorced or Separated	4

**7. Current Position**

Managerial Position	1
Non-Managerial Position	2

**PART B :** The following questions ask you about your relationship with your current employer. To what extent has your employer made the following commitment or obligation to you? Please indicate as honestly and as objectively as you can. Use the scales provided below to indicate your level of agreement or disagreement with each statement.

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

<b>The following questions are about relational psychological contract</b>						
RPC1	My employer has concern for my personal welfare.	1	2	3	4	5
RPC 2	My employer is responsive to my personal concerns and well-being.	1	2	3	4	5
RPC 3	My employer makes decisions with my interest in mind.	1	2	3	4	5
RPC 4	My employer has concern for my long term well-being.	1	2	3	4	5
RPC 5	My employer provides secure employment.	1	2	3	4	5
RPC 6	My employer pays wages and benefits that I can count on.	1	2	3	4	5
RPC 7	My employer provide steady employment	1	2	3	4	5
RPC 8	My employer provides stable benefits for employees' families.	1	2	3	4	5
<b>The following questions are about transactional psychological contract</b>						
TPC1	My employer provide job to me only as long as he needs me.	1	2	3	4	5
TPC 2	My employer makes no commitments to retain me in the future.	1	2	3	4	5
TPC 3	My employer provides me with short term employment.	1	2	3	4	5
TPC 4	My employer provides job for a short term only.	1	2	3	4	5
TPC 5	My employer provides me with limited	1	2	3	4	5

	involvement in the organization.					
TPC 6	My employer provides me with training only for my current job.	1	2	3	4	5
TPC 7	My employer provides me with job limited to specific, well defined responsibilities.	1	2	3	4	5
TPC 8	My employer requires me to perform only a limited set of duties.	1	2	3	4	5
<b>The following questions are about balanced psychological contract</b>						
BPC 1	My employer supports me to attain the highest possible level of performance.	1	2	3	4	5
BPC 2	My employer helps me respond to ever greater industry standards.	1	2	3	4	5
BPC 3	My employer supports me in meeting increasingly higher goals.	1	2	3	4	5
BPC 4	My employer enables me to adjust to new, challenging performance requirements.	1	2	3	4	5
BPC 5	My employer provides opportunity for career development within this organization.	1	2	3	4	5
BPC 6	My employer encourages developmental opportunities within this organization.	1	2	3	4	5
BPC 7	My employer provides opportunities for promotion.	1	2	3	4	5
BPC 8	My employer helps me develop externally	1	2	3	4	5

	marketable skills.					
BPC 9	My employer provides job assignments that enhance my external marketability.	1	2	3	4	5

**PART C:** The following questions ask you about your decision/intention relating your organization. Please use the scales provided to indicate your level of agreement or disagreement with each statement.

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

		1	2	3	4	5
TIN1	I often look for job opportunities outside this organization	1	2	3	4	5
TIN2	I would like to be very happy to spend the rest of my career with this organization	1	2	3	4	5

Additional comment(s) if any.

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**Thank you once again.**