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Journal
Journal of Organizational Behavior, 19(S1)

ISSN
0894-3796

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Publication Date
1998

DOI
10.1002/(sici)1099-1379(1998)19:1+<769::aid-job968>3.0.co;2-1

Journal of Organizational Behavior
J. Organiz. Behav. **19**, 769–782 (1998)

Differential perceptions of employers' inducements: implications for psychological contracts

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Summary

This paper reports findings from an exploratory study that addresses the question of whether or not measures of perceptual 'gaps' in organizational inducements contribute unique explanatory power above and beyond such familiar measures as employee job attitudes. Perceptions of inducements were obtained from both employees and representatives of their organizations. An average of 12 executives responded for each of four organizations to provide the organizations' view of the inducements offered to their employees, and a total of 339 employees across the four organizations reported their views of the inducements in the respective organizations. It was found that the larger the gap between what the employees viewed as the inducements offered them and what their employers reported offering them the lower was the employees' satisfaction with their organization, even after controlling for employee job satisfaction and employee performance. This finding, as well as the finding that in a substantial number of cases the employees report greater amounts of inducements than do their organizations' representatives, was explored for its implications for research on psychological contracts.

Introduction

Scholarly attention to what has come to be called the 'psychological contract' between employers and their employees has rapidly increased in the past few years. This work has led to important insights into the differences in the kinds of contracts organizations have with their employees (Guzzo, Noonan and Elron, 1994; Herriot and Pemberton, 1996; McLean Parks and Kidder, 1990; Tsui *et al.*, 1995), the role of subtle actions by organizational representatives in constructing the psychological contract (Guzzo and Noonan, 1994; Makin, Cooper and Cox, 1996; Nicholson and Johns, 1985), and how and why psychological contracts change over time (c.f., Robinson,

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An earlier version of this paper was presented at the Workshop, 'Changes in Psychological Contracts', Work and Organization Research Centre, Tilburg University, The Netherlands, December 9–10, 1996.

Kraatz and Rousseau, 1994; Robinson, 1996; Rousseau, 1996; Rousseau and Anton, 1991; Rousseau and McLean Parks, 1993). This growing body of literature has also produced a general consensus, based on the work of Rousseau, on the definition of the 'psychological contract' and on related terms such as the 'implied contract' and the 'normative contract'. Thus, Rousseau (1995, p. 9) defines the psychological contract as 'individual beliefs shaped by the organization regarding terms of an exchange agreement between individuals and organizations'. The expression 'implied contract' refers to 'interpretations [of contractual terms] that third parties make' and the expression 'normative contract' refers to the 'shared psychological contract that emerges when members of a social group . . . hold common beliefs'. For all of these terms, the content of the 'contract' centres on the contributions to be offered by employees in return for certain inducements provided by the employing organization.

In the present paper, our focus is on one-half of the inducements/contributions framework, namely, the *inducements* offered by the organization. As defined some years ago by March and Simon (1958, p. 84), inducements are 'payments by the organizations to participants, independent of utility'. Specifically, in the study to be reported in this paper, we measure mutual perceptions of those inducements; moreover, these are perceptions by both employees and their organizations of 'actual' inducements being offered by organizations, as opposed to expected or anticipated inducements.

By studying the two parties' perceptions of actual inducements, we will be obtaining data that have implications for psychological contracts. To date, the issue of possible differential perceptions of inducements has been a relatively neglected issue in the literature in this area. The study reported in the present paper is aimed at exploring the potential for disparate perceptions and examining whether gaps in perceptions contribute unique explanatory power above and beyond such familiar (and more easily assessed) measures such as employee attitudes.

The data obtained from a study of this type also can have another implication for our understanding of psychological contracts. That is, any disagreement between the two parties concerning the organization's inducements could indicate that there will eventually be perceptions of 'contract violation' (Lucero and Allen, 1994; McFarlane, Shore and Tetrick, 1994; Morrison and Robinson, 1997; Robinson, 1996) on the part of employees, even though there may have been original agreement on what those organization-offered inducements *should be* (i.e., agreement on the normative contract). Thus, gaps that exist between employees' views and the organization's view of the level of inducements being offered by the employer may provide information to aid in the understanding of the development of perceived contract violations. However, the existence of any discrepant perceptions will still leave a related question unanswered: namely, whether the organization has failed to deliver on expected inducements or whether there is simply a disagreement as to what is actually being supplied, or some combination of the two.

The purpose of the present study was to determine whether any gaps in perceptions of received inducements that exist between employees and their organizations provide explanatory power beyond that of two other commonly measured variables: job satisfaction and employee performance. That is, to what extent does knowing that a gap exists between the perceptions of employees and their employers in the inducements offered to employees predict their satisfaction with their employers, after controlling for job satisfaction and self-reported performance. Job satisfaction was used as the surrogate for employee attitudes because it is the most widely studied 'generic attitude' variable in the field. Employee performance was measured because another way to view employees' reactions to their treatment is to suggest that those employees who are more successful can expect more rewards and consequently will be more positive about their work situation. Finally, we also introduced an additional variable: the specific employing organization. It is possible that features of the particular organizational setting (e.g., whether or not business is good, whether recent layoffs have been experienced or imminently expected) might so dominate employee responses that elements of the psychological contract, as such, have no discernible effect. To be broadly useful, the concept of the psychological contract needs to operate in ways that are powerful enough, at least to an extent, to generalize across unique organizational circumstances.

In obtaining the mutual perceptions of employees and their organization concerning the amount of organizationally-provided inducements, there is a conundrum that must be solved: Who speaks for each party? On the employee side, the answer seems fairly clear: the employees reply individually for themselves. The answer for the organization however is not so clear (see Rousseau, 1995). In this study, we chose a set of high-level executives to 'speak' for the organization. In effect, these organization representatives are reporting on the level of inducements the organization is providing to a designated unit of employees. Even though a given employee in that unit may be receiving more or less than the average level of inducements provided to the members of the group, this should not be a major problem since, in each of the four organizations studied here, the designated units of employees were relatively homogeneous in terms of being technical professionals, supervisors and administrative staff, rather than also including hourly workers. Thus, we assume that the organizational representatives (i.e., the high-level executives) can provide meaningful perceptions about the inducements being provided to a typical employee in each designated unit.

Method

Sample

Data for this study were collected from employees in divisions of four companies (i.e., one division of each of the four organizations): two aerospace firms, one electronics manufacturer, and one accounting firm. The first aerospace firm (Organization A) was undergoing some strain in its attempt to shift from cost-plus defense-related government contracts, to the more market competitive commercial satellite and communications industry. The division studied had 1000 employees at the time of data collection and experienced a significant reduction in force a year after data collection. The division studied within the second aerospace company (Organization B) was much more stable at the time of data collection. Its focus was on space exploration, with substantial contracts which were expected to last for many years into the future. The electronics manufacturer (Organization C) made a type of peripheral equipment for computers and operated in a very competitive and fast-moving product market. This division had 400 employees, with 175 of the target population classified as professionals. Organization D was one of the Southern California offices of a large accounting firm. The typical 'up or out' promotion system of accounting firms probably explains the relatively younger age and shorter tenure of these employees compared to those in the other organizations (see Table 1). The sample included staff and professionals in audit and tax. While this sample of companies and divisions within each of these companies was largely one of convenience, the intent was to focus on the expectations of employees in professional (e.g., engineering, accounting) and lower-level supervisory positions in firms conducting complex, knowledge-intensive activities.

For the purposes of this study, we specified each of the divisions as 'the organization' to which respondents would refer in answering the survey instrument's questions. This was necessary because the sample of firms included several that were quite large and contained a number of

Table 1. Characteristics of the sample

Employee data	Organization			
	A	B	C	D
Employee surveys administered	300	75	70	60
Returned employee surveys	214	46	48	31
Response rate (per cent)	71	61	69	52
Median age group	36–45	36–45	36–45	26–35
Percentage male	72	85	81	55
Mean tenure in organization (years)	7	4	10	3

divisions that were quite different in mission, operations and location. (For example, one of the aerospace firms had units or divisions involved in commercial aviation as well as in government-contracted space operations.) Thus, when employees were asked about a particular expectation of 'the organization' it was the expectation of 'division X in corporation Y', not simply 'corporation Y'. Interviews had indicated that employees were acutely aware of which major part (division) of the company they worked in, and how their division was not necessarily similar to other divisions in the company.

Another issue that required a decision by the researchers was 'who would respond on behalf of the organization (i.e., division)'? Consistent with similar work in this domain (Kotter, 1973; Levinson *et al.*, 1962; McKelvey, 1969), executives at the topmost levels of each of the sampled divisions were chosen to act as the representatives of their units because they, in effect, have the primary responsibility for establishing the division's (organization's) inducements. Within this group in each division, a small cross-section of executives was asked to respond for the division. The number of executives sampled in each of the four firms varied due to the size and complexity of the respective divisions. In the two aerospace firms, 14 and 24 executives responded for their divisions; 10 executives responded for the electronics firm, and three for the accounting firm. Multiple representatives from each organization were sampled to increase the reliability of the resultant measure of the organization's expectations.

As noted earlier, the 'employee' group in each organization (division in that organization) consisted of professional, technical and administrative personnel in salaried positions of 'section head' or below. Table 1 provides details on the sample of respondents in each of the four organizational units. As can be seen, the total number of employee respondents across the four organizations was 339.

Instruments

Based on a review of the literature, a survey entitled 'The Work-related Expectations Survey' (WES) was developed by the authors to assess dimensions of the psychological contract. Two versions of the WES were created: 'employee' and 'organization'. One section of each version asked participants to report on perceptions of the *actual* inducements being offered by the organization (e.g., 'to what extent *does* the organization give overt recognition and approval for a job assignment well done?'). A 5-point Likert-type format was use for response categories, ranging from 1 to 5 as follows: 'Minimally or not at all', 'To a small extent', 'To a moderate extent', 'To a large extent', and 'To a very large extent'.

In the present article, only the survey items (from the larger questionnaire) measuring perceptions of 'actual' organizational inducements are reported in the data analyses. Three criteria were used to select the content of specific items to measure organizational inducements: first, evidence from prior work that suggested the types of inducements that are critical to the maintenance of the employee/organization relationship (e.g., Katz, 1965; Kotter, 1973; Schein, 1965; Tannenbaum and Kuleck, Jr., 1978); second, since the focus was on the implicit or psychological contract, inducements that are typically not covered in the formal contract; and third, those that are not idiosyncratic to one type of job, organization, or industry, in order to provide the opportunity to make comparative assessments across jobs, organizations, and industries.

The specific items that were constructed to measure organizational inducements were designed to represent three areas of potential inducements significant to psychological contracts: rewards for performance (e.g., 'give overt recognition and approval for a job assignment well done'), job and career growth opportunities (e.g., 'offer meaningful, interesting, challenging work'), and commitment to employees (e.g., 'guarantee job security for at least one year'). A total of nine items were included in the questionnaire to reflect these types of inducements. The items composing these three areas appear in Table 2.

Table 2. Items used to measure organizational inducements for employees

Rewards for performance
Give overt recognition and approval for a job assignment well done
Provide bonus pay or incentives based on performance
Job/career growth opportunities
Offer meaningful, interesting, challenging work
Offer development opportunities (i.e., training and education paid by the organization) on ongoing basis
Offer increasing responsibility and autonomy as employees feel they are ready
Commitment to Employees
Guarantee job security for at least one year
Increase salaries if organization makes greater profit
Explicitly take into consideration the employee's (your) interests when making decisions which affect the employee (you)
Opportunity to offer input into all the employee's (your) decisions which may affect the employee (you)

In addition to the nine items measuring perceived organizational inducements, the employee's version of the WES also contained several items designed to provide data on three other variables: organizational satisfaction, job satisfaction, and self-reported performance evaluation (the most recent one received from the employee's supervisor). (Although one might expect that employees' recollection of their appraisal rating could be flawed, Pearce and Porter (1986) found that professional employees recollected their ratings with 81 per cent accuracy). Each variable was measured by a single item.

Procedures

Survey questionnaires were distributed to the participants by the personnel departments of each organization, with the exception of one firm which chose to have the surveys administered in a meeting called expressly for that purpose. The organization-version of the WES was completed by each set of top executives, who were instructed to act as representatives of their divisions (organizations). The employee-version of the WES was sent out to all remaining division employees in technical and administrative positions below that of the top executive group. All surveys were accompanied by written instructions and a cover letter from the division head indicating that the study was being conducted by university researchers. Participants returned their surveys to the central personnel office in the division, in sealed envelopes. To ensure confidentiality, respondents were explicitly directed not to put their names on the surveys.

Data analysis

In order to analyze whether or not differences in perceptions of organization inducements between employees and organization representatives were meaningful, we needed to construct a variable we are calling 'Psychological-contract Gap'. This variable was constructed by subtracting the average of the organization representatives' report of inducement from each employee's report of the extent to which the inducement was offered. Thus, each employee was assigned a 'gap' value that resulted from subtracting their organization's mean (mean of all representatives) assessment of inducement from their own reported assessment of inducement. A 'negative gap' indicates that the employee perceives that there is *less* of the inducement being offered than do the representatives, while a 'positive gap' indicates that the employee perceives that *more* of the inducement is being offered than do the representatives. In addition, because each of these inducements is based on single item measures we built a combination measure of overall gap in perceptions of inducements consisting of a summation of all of the nine inducement gaps for each employee, then dividing it by nine to create a standardized assessment of the gap between a given employee's perception of the inducements offered and the organization representatives' perception.

Finally, each of these measures of gaps in perceptions is based on a difference score. As Cohen and Cohen (1983) note, the necessarily less-than-perfect reliabilities of each of the two components of the difference score place an upper limit on the correlations of the difference score and other variables (although Rogosa, 1988, disputes the seriousness of this limitation). In any case, it may be that the coefficients to be reported here under-represent the true level of association indicating that non-significant relationships should be interpreted with caution. Edwards (1994) suggests several additional tests of the appropriate application of a congruence test such as this one. First, the components of the congruence measure must be commensurate (these are; they ask questions about the same referent, use the same 5-point scales and have similar variances). Next, the appropriateness of what he calls the simple discrepancy model used here was tested by regressing both components (representatives' reports and employee reports) and their interaction onto the dependent variable. While eight of the nine overall equations were significant (excepting Meaningful Work), we found that the interaction terms were not significant, indicating that the proposed simple discrepancy model, not a more complex model, would be appropriate. Finally, both independent components needed to be equally significant, with signs in the opposite direction, to have confidence that the gap or discrepancy measure was not being carried by one of the components alone. Here, the results are not wholly supportive for all nine inducements. The components are equally significant for seven of the nine (excepting Autonomy and Meaningful Work); however, in only five cases were the signs in opposite directions (excepting Bonus, Interests, Recognition and Salary-if-Profit). This suggests that the simple discrepancy model may not be the one which would explain the optimal amount of variance in the dependent variable for some of these inducements. However, there is sufficient evidence that the gap scores are not masking a relationship between one of the components alone and the dependent variable, suggesting that this theory testing (not exploratory) test may proceed, albeit with circumspection. Table 3 shows the mean gaps for each of the nine inducements, as well as the overall gap and the intercorrelations among the gaps and with organizational satisfaction, job satisfaction and self-reported performance evaluation.

Table 3. Means, standard deviations and intercorrelations among gaps variables

Variable	Mean gap[1]	Gap *S.D.*	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Provides autonomy	−0.15	1.00	–												
2. Provides bonus	−0.02	1.00	0.26	–											
3. Provides educational opportunities	−0.46	1.19	0.37	0.12	–										
4. Provides opportunities for input	−0.04	0.98	0.30	0.26	0.21	–									
5. Takes our interests into consideration	−0.29	0.93	0.38	0.36	0.10	0.64	–								
6. Provides job security	0.30	1.39	0.20	0.16	0.04	0.40	0.38	–							
7. Provides meaningful work	0.16	0.95	0.47	0.17	0.35	0.38	0.37	0.25	–						
8. Provides recognition	−0.66	0.95	0.39	0.44	0.20	0.32	0.41	0.20	0.33	–					
9. Provides more salary if profit	−0.19	0.89	0.29	0.34	0.34	0.30	0.30	0.24	0.27	0.33	–				
10. Standardized overall gap	−0.16	0.63	0.66	0.55	0.50	0.68	0.70	0.56	0.64	0.64	0.61	–			
11. Organizational satisfaction	2.62	0.98	−0.29	−0.23	−0.29	−0.30	−0.27	−0.11	−0.29	−0.39	−0.28	−0.45	–		
12. Job satisfaction	2.32	0.93	−0.39	−0.14	−0.22	−0.29	−0.32	−0.16	−0.49	−0.29	−0.19	−0.44	0.54	–	
13. Job performance	2.39	0.80	−0.13	−0.15	0.09	−0.14	−0.15	−0.08	−0.10	−0.18	0.00	−0.17	0.00	0.05	–

$n = 324$, if $r \geqslant 0.10$, $p \leqslant 0.05$; if $r \geqslant 0.14$, $p \leqslant 0.01$.

[1]Gaps = mean employee reports minus mean organization reports; range = −3.0 to 3.0.

Finally, in order to assess employees' reactions toward the organization, we used employee self-reported 'Organizational Satisfaction' ('All in all, how satisfied would you say you are with your organization?', with responses ranging from 1 = very dissatisfied through 5 = very satisfied).

We conducted two separate sets of analyses of the effect of Psychological-contract Gap on satisfaction with the organization, after controlling for possible alternative predictors. First, we regressed the gaps on Organizational Satisfaction in the second step of a hierarchical regression, after first entering Job Satisfaction and Performance. If a gap remains a significant predictor of Organizational Satisfaction, it suggests that knowing the contract perceptions of the actors provides additional information beyond the employees' attitudes and success in that organization. Second, we regressed each gap, organization, and an interaction term on Organizational Satisfaction. If the interaction term is significant, this would suggest that psychological contracts may operate uniquely in different organizations.

Results and discussion

As noted in the introduction, the purpose of this study was to ascertain whether measuring gaps in perceptions of inducements provided additional explanatory value beyond measuring job satisfaction and employee performance. Table 4 reports the results of hierarchical regression equations in which Job Satisfaction and Performance are regressed on Organizational Satisfaction in the first step, with each inducement gap and overall gap added in a second step (10 separate equations). As is indicted in Table 4, we found that self-reported performance evaluations are unrelated to any of the inducement gap items, or overall gap, while Job Satisfaction is related to all of the gaps. Apparently our assumption that those who are doing better should be more satisfied with their organization was not the case in these four organizations.

It is not surprising that those employees who perceive that they are receiving less of the inducements than what the organization's representatives report offering are less satisfied with their jobs. This could reflect that those employees who are unhappy with their situation, for whatever, reason, also report they are receiving less of what the organization has to offer; in effect, the widely recognized criticisms of response–response correlations coming from the same source (Mowday and Sutton, 1993). Thus, Job Satisfaction remains an important control variable. Nevertheless, even when controlling for Job Satisfaction we find that the negative relationships between Organizational Satisfaction and the gaps in perceptions of whether or not the organization provides bonuses, educational opportunities, recognition, larger salaries if the company is profitable, opportunities for employee-input into decisions, whether or not the organization takes employees' interests into consideration, and overall gap all remain significant. Particularly, given the high correlation between Job Satisfaction and Organizational Satisfaction ($r = 0.54$), the significant additional variance explained by these gaps is noteworthy. Interestingly, however, for two inducements—Job Security and Meaningful Work—the negative relationship between satisfaction with the organization and gaps in perceptions become insignificant when Job Satisfaction has been controlled. To understand why the non-significant relationships for these two inducements might have occurred, we conducted some follow-up exploratory analyses of these non-findings which are discussed later.

Additionally, we also explored whether or not the negative relationship between a gap in perceptions–between organizational representatives and employees–regarding what the organization offers as inducements may be driven by cultures and circumstances unique to particular

Table 4. Regressions of psychological-contract gaps on organizational satisfaction, controlling for job satisfaction and performance

	Model 1[a]	Model A_2	Model B_2	Model E_2	Model 0_2	Model I_2	Model S_2	Model M_2	Model R_2	Model P_2	Model G_2
Constant	1.37‡	1.48‡	1.49‡	1.34‡	1.53‡	1.46‡	1.39‡	1.44‡	1.50‡	1.41‡	1.87‡
Job satisfaction	0.57‡	0.53‡	0.54‡	−0.53‡	0.52‡	0.53‡	0.56‡	0.55‡	0.49‡	0.53‡	0.41‡
Performance	−0.03	−0.04	−0.06	0.00	−0.05	−0.05	−0.03	−0.03	−0.08	−0.02	−0.09
Provides autonomy (A)[b]		−0.10*									
Provides bonus (B)			−0.16‡								
Provides educational opportunities (E)				−0.15‡							
Provides opportunity for input (O)					−0.16‡						
Takes our interests into consideration (I)						−0.12†					
Provides job security (S)							−0.02				
Provides meaningful work (M)								−0.05			
Provides recognition (R)									−0.27‡		
Provides more salary if profit (P)										−0.20‡	
Standardized overall gap (G)											−0.53‡
F	49.54‡	34.29‡	36.91‡	38.04‡	36.61‡	34.65‡	32.87‡	32.99‡	43.58‡	37.27‡	47.11‡
df	2,245	3,244	3,241	3,244	3,244	3,243	3,243	3,243	3,244	3,237	3,231
R^2	0.29	0.30	0.31	0.32	0.31	0.30	0.29	0.29	0.35	0.32	0.38
$R^2\Delta$		0.01	0.03†	0.03‡	0.02†	0.01†	0.00	0.00	0.06‡	0.03‡	0.09‡

*$p \leqslant 0.10$; †$p \leqslant 0.05$; ‡$p \leqslant 0.01$.

[a] = Model 1 is the same for all psychological contract gaps.

[b] = A negative coefficient indicates that employees with a negative gap (those perceiving less of the inducement than do the organization's representatives) are more dissatisfied with their organization than are positive gap employees.

Table 5. Regressions of inducement gaps and organization on organizational satisfaction

Constant	2.92†	Constant	3.00†
Provides autonomy (A)	−0.17	Provides job security (S)	−0.24†
Organization (O)	−0.20*	Organization (O)	−0.17†
A × O	−0.08	S × O	0.06*
F	16.20†	*F*	7.50†
df	3,318	*df*	3,317
R^2	0.13	R^2	0.07
Constant	2.89†	Constant	3.01†
Provides bonus (B)	−0.37†	Provides meaningful work (M)	−0.23*
Organization (O)	−0.15†	Organization (O)	−0.19†
BXO	0.06	M × O	−0.06
F	11.08†	*F*	16.93†
df	3,314	*df*	3,317
R^2	0.10	R^2	0.14
Constnat	2.93†	Constant	2.61†
Provides educational opportunities (E)	−0.19*	Provides recognition (R)	−0.31†
Organization (O)	−0.25†	Organization (O)	−0.13*
E × O	−0.05	R × O	−0.04
F	18.97†	*F*	20.72†
df	3,318	*df*	3,316
R^2	0.15	R^2	0.16
Constant	2.92†	Constant	2.86†
Provides opportunity for input (O)	−0.39†	Provides more salary if profit (P)	−0.31†
Organization (O)	−0.17†	Organization (O)	−0.17†
O × O	0.04	P × O	−0.01
F	15.57†	*F*	13.46†
df	3,318	*df*	3,309
R^2	0.13	R^2	0.12
Constant	2.82†	Constant	2.89†
Takes our interests into consideration (I)	−0.45†	Standardized overall gap (G)	−0.83†
Organization (O)	−0.15†	Organization (O)	−0.22†
I × O	0.07	G × O	0.02
F	15.22†	*F*	37.05†
df	3,317	*df*	3,301
R^2	0.13	R^2	0.27

*$p \leqslant 0.05$; †$p \leqslant 0.01$.
[a] = Model 1 is the same for all psychological contract gaps.
[b] = A negative coefficient indicates that employees with a negative gap (those perceiving less of the inducement. than do the organization's representatives) are more dissatisfied with their organization than are positive gap employees.

organizations. Table 5 contains regressions of Organizational Satisfaction by Inducement Gap, Organization and the interaction term. Here we discover that while there is a significant organization effect for each of the nine individual gaps, as well as the standardised overall gap, in only one case is the interaction between organization and gap significant. This appears to reflect the fact that a higher proportion of Organization A employees report less of a gap in job security compared with employees in the other three organizations. Further, and especially important, the initial negative relationship between satisfaction with the organization and the inducement gap remains significant even when controlling for organization for all nine individual inducements as well as the overall one. That is, while the particular organization matters in understanding employee reactions, the inducement gap retains a unique independent influence.

Thus, it appears that knowing the gap between what employees perceive to be the inducements offered to them and what their organizations' representatives perceive the organizations to offer contributes unique explanatory power in understanding employees' satisfaction with their organization. Further, this relationship holds when the employees' job satisfaction, performance, and particular organization have been controlled. Therefore, we conclude that gaps in perceptions of what the organization offers as inducements to employees do matter. Above and beyond employees' attitudes and their organizational culture and history, knowing whether or not there is a gap in perceptions of what the organization offers has predictive power.

Based on the above major finding, we carried out additional analyses to understand certain features of the perceptual gaps that might provide insights concerning implications for psychological contracts. Specifically, we examined the distribution in gaps reflected in the means and standard deviations in Table 3. Thus, we first reviewed the variations in distributions for specific inducements, then we considered several general interpretations of the presence of substantial 'positive gaps' in perceptions of inducements.

While heretofore we have grouped all nine inducements together as simply multiple measures of a general category of organizational inducement, the distributions make it clear that different inducements operate in different ways. We have selected Provides Meaningful Work, Provides Recognition, and Provides Job Security because of the markedly different patterns of the distributions in the gaps between organizational representatives and employees. The provision of meaningful work was highly correlated with Job Satisfaction, and when this was controlled the relationship between this gap and reaction to the organization was no longer significant. That is, gaps in the provision of meaningful work did not contribute unique explanatory power in understanding employees' reactions to their organization; rather, such perceptions seem to be centred at the job level. Particularly, when combined with the fact that employees report more provision of meaningful work than do their organizational representatives (as seen in Table 3), it seems that employees see their own work as more meaningful than do their executives. This suggests that whether work is meaningful or not tends to be in the eye of the beholder, and does not seem to be something for which employees hold their organization responsible. That is, the provision of meaningful work may not constitute a key element of the differences in perceptions of inducements between employees and their employing organizations.

In contrast, the biggest negative gap in the perceptions of employees and the organizations' representatives concerns the amount of recognition provided by the organization. Hierarchical regression analysis indicated that this gap provided the most significant relationship with organization satisfaction after controlling for job satisfaction and job performance. Table 3 indicates that the majority of the employees report that their organization provides less recognition than that reported by organizational representatives. This gap seems especially noteworthy, since violations of the psychological contract in which employees feel dishonored are particularly likely to foster feelings of anger and betrayal (Herriot, Manning and Kidd, 1997; Robinson, 1996; Robinson and Morrison, 1995; Robinson and Rousseau, 1994). Recognition for a job well done (or even determinedly doing one's job day after day) is a way of bestowing honor and dignity on employees—one, by the way, which is cheaper than bonuses and more widely available than promotions. Organizations can hardly plead that competitive pressures or the demands of the financial community are preventing them from providing more recognition to their employees, and so perhaps employees hold organizations especially accountable for this particular inducement. The large gap in perceptions indicates that organizational representatives (for this set of organizations) are most out-of-step in this area. As a practical matter, this would seem to be an area in which organizations are missing an opportunity to increase the inducements offered to employees at virtually no cost.

Finally, the provision of job security has a surprisingly large 'positive gap'. Table 3 indicates that many employees report that the organization provides them with more job security than the organization reports providing. In fact, we notice that there is a substantial percentage of 'positive gap' perceptions for all of the inducements, save Provides Recognition. That is, a substantial proportion of the employees perceive that their organization are providing *more* of the inducement than the organization's representatives report providing. We think this distribution in psychological-contract gaps is potentially important for several reasons.

It led us to reflect on the fact that the literature in organizational behavior often seems to make an implicit assumption that employees generally will perceive less (a reflection of their wanting more?) than the organization reports offering. There has been an assumption that anything other than a 'match' in perceptions can lead to dissatisfaction; however, these data indicate this is not the case for many employees since there were two inducements with overall majorities of employees with positive gaps, and two others that were virtually zero (suggesting half of the employees have positive gaps). Why might such positive gaps develop? These positive gaps could be an artifact of the methodology—if organizations do provide variable inducements to different employees, the organization's representatives would be likely to report an 'average' inducement, and so some proportion of the employees would necessarily report receiving more than this average. Similarly, the two inducements with the largest positive gaps, Job Security and Meaningful Work, may be thus assessed because they are comparatively less contingent on individual employee performance. Alternatively, the positive gaps may be real gaps in perceptions of the organization's inducements. Positive gaps could result from the very different circumstances and roles of the organization's representatives and its employees. For example, Provides Job Security has the largest positive gap, and so the organizational representatives may be taking a conservative approach—in effect saying 'well, we can't predict the future and so we really cannot say that the organization provides them with job security'. That is, the organizations' representatives may not want to be in the position of making promises that the organization could not be able to keep. Employees are not (implicitly) held responsible for any promises, so they may simply assume that they have job security, in the absence of evidence to the contrary.

Before concluding, it is necessary to note the limitations of this study. While care was taken in the sampling of inducements and different organizational settings, the measures were all single-item scales, and so are measures of unknown reliability. This suggests caution in developing any strong conclusions from this one study, particularly from the 'non-findings' regarding employee performance, and the inducements of Job Security and Meaningful Work (see Cohen and Cohen, 1983). Nevertheless, we note that measures of low reliability would introduce random error which would make it more difficult for tests to reach statistical significance, yet seven of the nine gaps measured with these single items remained significant even after stringent controls. Also, the small sample size and anonymous questionnaires meant that only a few control variables could be used. Future research may profitably examine controls for supervisor and demographic characteristics such as gender and age.

Based on the total set of data collected for this study, and the various analyses conducted on those data, we conclude that the gaps in perceptions that the two parties, employees and their organizations, have regarding organizationally-provided inducements show distinct promise as a variable in helping to understand organizational members' responses to their work situations. This has several implications for research on psychological contracts. First, much of the empirical research to date in this area has operationalized the psychological contract as the employees' perceptions, and has correlated this perception with other self-reports such as a sense of betrayal or organizational commitment. Thus, much of the research on psychological contracts has been subject to an alternative interpretation: that perception of the psychological contract simply reflects a generalized satisfaction, an artifact of percept–percept correlations. The present work, drawing on a comparison of employers' and employees' perceptions of one component of the psychological contract—the inducements offered employees—found that such a gap in perceptions did account for employees' satisfaction with their organization, above and beyond knowing their general job satisfaction or success in the organization. Since these findings cannot be explained away as a result of percept–percept correlations, they suggest renewed confidence in the empirical usefulness of the study of the psychological contract.

A second implication of this work for research on psychological contracts is the discovery that substantial proportions of employees perceive that they are offered more of an inducement than does the organization's representatives. Heretofore, research on psychological contracts has tended to focus on the removal of an inducement (such as job security) and employees' subsequent reactions to the sense of betrayal this fosters. As valuable as that work has been, it has had the unintended by-product of producing a literature which emphasizes that employees feel they deserve more than what they have been receiving. The present data indicate that employees often may perceive that they are getting more of an inducement than the organization's representatives believe they are providing, and that this positive gap in perceptions has risks of its own, such as risks of future disappointment.

Third, the focus on comparing employers' representatives perceptions with employees' perceptions of inducements also helps to clarify which aspects of the work experience employees tend to hold the organization responsible for as part of their psychological contract. We found that the differences in the provision of meaningful work did not appear to be a key element in explaining satisfaction with the organization. At least, that appears to be the case for the types of professional employees studied here. This preliminary findings suggests a potentially fruitful new line of research identifying those elements of the workplace which employees expect from their organization, and those elements—whether attractive or unattractive—that they see as outside the control or responsibility of the organization.

Finally, this work provides a preliminary step away from a sole focus on the employees' half of the psychological contract between employees and their organizations. While researchers in this area have often tied their work to organizational-level policies or practices (such as layoffs), empirical research has tended to neglect the employers' perception of their contract with employees. This work suggests that insights can be gained by obtaining the views of both parties to such contracts. For example, the discovery that a majority of employees perceive that they are offered more job security as an inducement than their employers' representatives perceive suggests that a future job loss may be perceived by one party as a betrayal of the psychological contract, but not seen as such by the other party.

In conclusion, we would argue that the findings presented here are supportive of the usefulness of conducting further research relating to the implementation of psychological contracts, especially when data pertaining to such contracts are collected from both the employee *and* the organization.

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ERRATUM

The publishers wish to apologise for an error in Volume 19 Issue 6.

The Volume Contents listed the incorrect running order for the Special Issue. The correct running order should be read as follows:

The Psychological Contract at Work