

# Influence of Psychological Contract, Organisational Justice and Organisational Commitment Among Dispatched Employees' Turnover Intention: Evidence from Chinese MNCs

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**Abstract:** Labour dispatching is emerging as flexible and effective employment model in the labour system, where it plays an effective role in reducing the labour costs. Nevertheless, research among dispatched employees are scarce. Thus, the purpose of this study was to identify the following: (1) relationship between psychological contract and turnover intention, (2) relationship between organisational justice and turnover intention and (3) organisational commitment and turnover intention among dispatched employees attached to Multinational Corporations in China. This study will look in depth on how these factors will affect the dispatched employees' turnover intention. A questionnaire-based survey was carried out among dispatched employee in Multinational Corporations in China. Purposive sampling was utilized. The survey yielded 213 responses. The results were analysed using SPSS 22.0. Findings of this study revealed the following: (1) when dispatched employees begin to realize that employers cannot meet the expectations of the contract and identify occurrence of betrayal, dispatched employees will have higher intention to move out of the organisation, (2) unfair work environment generates tension within an individual, which may eventually result in a reduction on dispatched employees' belonging towards the organisation and (3) dispatched employees who are more committed to the organisation are less inclined to leave. In conclusion, the influencing mechanism of dispatched employees' turnover intention were identified through this study.

**Keywords:** Psychological Contract, Organisational Justice, Organisational Commitment, China

## I. INTRODUCTION

With the acceleration of economic globalization and the intensification of competitive pressure, the rising labour cost has become a major issue in the development of enterprises. Furthermore, rapid economic development increases the employment pressure in the labour market. Hence, there is an increasing demand towards flexible employment models. Thus, labour dispatching aroused as a kind of flexible and effective employment model in labour system of market economy. Potentially, labour dispatching reduces the labour costs of pertaining to organisations such as staff recruitment, training and remuneration of the organisation. As posited by Wang et al. (2017), companies are increasingly adopting this flexible employment models as a means of reducing employment risk.

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Labour dispatch began in the United States in the 1950s and developed rapidly in Europe, Japan and other countries. Since the introduction of "China's new labour contract law" in 2008, labour dispatch has become a development trend in China. According to the All-China Federation of Trade Unions (ACFTU) in 2015, the number of dispatched employees in China reached about 60 million, accounting for about 8% of the total working-age population (National bureau of statistics of the People's Republic of China, 2016). Thus, dispatched employees have become an important part of the China labour market. However, unlike traditional employment methods, labour dispatching is not perfect in terms of management system, laws and regulations. Compared with ordinary employees, the dispatched employees generally have lower income and poorer social security, which leads them to leave the company because of their sense of belonging and lack of trust (Umar and Ringim, 2015). The loss of core talent is the challenge faced by many enterprises. It will reduce company's sustainably competitive advantages or decrease effective and efficiency of day-to-day operations. Due to the high turnover rate, organisation will not only raise the cost during recruitment and selection; however, it minimises the organisational morale and deteriorated the intellectual capital (Wang et al., 2017). Therefore, it presents a challenge for the labour dispatch market and to some extent affects the stability of the whole employment environment. Although the high turnover rate of the dispatched employees has become a major issue, there are limited studies investigating on turnover intention previously especially on the factors which affect dispatched employees' turnover intention. Therefore, the purpose of the study is to identify the influence of psychological contract, organisation justice and organisation commitment on dispatched employees' turnover intention.

### *Theoretical Background and Hypotheses Development*

Psychological contract can be explained by a set of unwritten expectations that occurs between employers and employees but it is not legal contract (Armstrong, 2009). Moreover, it is a system of beliefs that involves the actions of employees believe are expected of themselves and the response that expected from their employer whereas the actions of employers believe are expected of themselves and the response that expected from their employees. According to Guest (2002), it indicated opinions of both parties (organisation and individual) to the employment relationship including reciprocal promises and obligations.

Prior studies had identified the link between psychological contract and turnover intention (Mc Innis, 2012; Raja et al., 2004; Ul-Haq, et al., 2011). Thus, it could be hypothesized that:

H1: Psychological contract is negatively associated to turnover intention

Organisation justice is termed as the perspective of employees whether they have been treated fairly in their workplace (Demir, 2015; Gim and Desa, 2014; Malik, 2011). Previous research has stated that organisation justice contains three different elements (Olkkonen and Lipponen, 2006). These elements are (1) distributive justice, (2) procedural justice and (3) interactional justice. Distributive justice is termed as perceived fairness of the allocation resources or rewards (Colquitt, 2001). According to Niehoff and Moorman (1993), it is the measurement of rewards whether they are allocated in a fairness manner. Moreover, procedural justice is known as perceived fairness of processes or procedures decision making among allocating factors (Crawshaw et al.,2013). In other words, it is the measurement of those subsequently affected by allocation processes or procedures decision making according to fair methods and guidelines (Demir, 2015). Furthermore, interactional justice includes interpersonal justice and information justice, meaning that it is the perceived fairness of interpersonal treatment during workplace (Olkkonen and Lipponen, 2006). Thus, it could be hypothesized that:

H2: Organisational justice is negatively associated to turnover intention

Previous researchers believe that the success or failure of any organisation depends on its human resources (Al-Emadi and Marquardt, 2007). Evelyn, Othman and Sheilla (2005) stated organisations need to have efficient employees to maintain this valuable commodity and they should be aware of employees' organisational commitment and retention.

Organisation commitment is known as strong belief from employees in and acceptance of the organisation's objectives and values (Siong et al., 2013). It means employees have a strong desire to continue the employment relationship. Hundreds of studies have proved that organisational commitment is negatively associated with turnover intention (Khatri and Fern, 2001). Prior researches posited that organisational commitment and turnover intention are important to study because high level of commitment and low level of turnover intention culminate in favourable organisational outcomes (Taing et al., 2011). Thus, it could be hypothesized that:

H3: Organisational commitment is negatively associated to turnover intention

**II. METHOD & MATERIALS**

**Population and Sample**

The population of this study consisted of dispatched employees from selected Multinational Corporations in SiChuan Province, Southwest part of China. Purposive sampling was utilized. In total, 213 participants participated in this study by completing the questionnaires over a period of 3 weeks.

**Instrument of Research**

This study used the survey method to collect the data. A self-administered questionnaire consisting of five sections (Section A, B, C, D and E) was developed for this purpose. The research questionnaire was developed in English and translated to Mandarin (China's official first language). Respondents were asked to evaluate their agreement or disagreement with the questionnaire statements using a five-point Likert scale, ranging from strongly agree to strongly disagree. All items were adapted from previously established studies to ensure their reliability and validity. Table 1 summarizes the information of the questionnaire used in this study.

**Table 1: Information of questionnaire**

<b>Variables</b>	<b>No of Items</b>	<b>Source</b>
<b>Section A</b>		
Psychological Contract	<b>21</b>	Balogun and Olowoduroye (2012), Raja et al. (2004), Umar and Ringim (2015)
<b>Section B</b>		
Organisational Justice	<b>22</b>	Alsalem and Alhaiani (2007), Thomas and Nagalingappa (2012)
<b>Section C</b>		
Organisational Commitment	<b>15</b>	Martin and Roodt (2008), Popoola (2005)
<b>Section D</b>		
Turnover Intention	<b>5</b>	Rai (2013)
<b>Section E</b>		
Respondent's Profile	-	Designed by Researcher

**Data analysis**

The data collection for this study was analysed using the Statistical Package for Social Science (SPSS) version 22.0. Correlation analysis was utilized to analyse the relationship between the independent and dependent variables.

**Reliability analysis**

The reliability coefficient of the measures was examined using Cronbach's alpha ( $\alpha$ ) (SPSS).



In this study, the Cronbach’s alpha ( $\alpha$ ) ranged from a low of 0.939 to a high of 0.958 and details of the reliability analysis are shown in Table 2 below.

**Table 2: Reliability analysis**

Variables	No of Items	Cronbach Alpha
Psychological Contract	21	0.939
Organisational Justice	22	0.958
Organisational Commitment	15	0.947
Turnover Intention	5	0.942

### III. RESULTS

#### Profiles of Respondents

From the 213 participants, 194 (91.1%) are male and 19 (8.9%) are female. Participants age between 25 to 35 years of age have the highest percentage (47.9%). 26.3% of the respondents are from 36-45 years old. And followed by the respondents of 45 and above (13.6%). The lowest percentage of respondents are below 25 years old which is 12.2%. In terms of academic qualifications, there are 113 Bachelor’s Degree holders (53.1%), 87 Diploma holders and below (40.8%) and only 13 Master’s holders (6.1%). Among the 213 respondents, 125 are married (58.7%), 58 are single (27.2%) and 30 are divorced or separated (14.1%). With regards to duration of working experience, 102 respondents have worked above 12 months (47.9%), 63 respondents have worked between 7 to 12 months (29.6%), 29 respondents have worked between 3 to 6 months

(13.6%), 19 respondents have worked less than 2 months and below (8.9%). In terms of employment status, 165 respondents obtained temporary contract through a third-party agency (77.5%), 37 respondents obtained fixed term contract of more than 1-year duration (17.4%) and only 11 respondents obtained fixed term contract of less than 1-year duration (5.2%). With regards to working position, there are 190 construction staffs (89.2%), 13 administrative staffs (6.1%) and 10 managers (4.7%).

#### Correlation Analysis

Correlation analysis was used to measure and interpret the strength of association or relationship between two continuous variables. Specifically, the Pearson’s product moment correlation coefficient ( $r$ ) was used to indicate the strength and direction of the correlation (Cohen, 1988). The values depicted in Table 3 were used to interpret the strength of correlation between variables (Cohen, 1988).

**Table 3: Strength of Correlation**

Value of Coefficient (r) Strength	Value of Coefficient (r) Strength
0.1 – 0.29 Weak relationship	0.1 – 0.29 Weak relationship
0.3 – 0.49 Moderate relationship	0.3 – 0.49 Moderate relationship
0.5 – 1.00 Strong relationship	0.5 – 1.00 Strong relationship

**Table 4: Pearson Correlation Analysis**

Variables	No of Items	Turnover Intention
Psychological Contract	Pearson Correlation	-0.720**
	Sig. (2-tailed)	0.000
Organisational Justice	Pearson Correlation	-0.666**
	Sig. (2-tailed)	0.000
Organisational Commitment	Pearson Correlation	-0.716**
	Sig. (2-tailed)	0.000

N=213 respondents

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

As shown in Table 4, the results indicated that all of the three independent variables, i.e.: psychological contract, organisational justice and organisational commitment were negatively and significantly correlated with turnover intention ( $p$ -value < 0.01). In terms of strength of association with propensity for turnover intention, psychological contract ( $r=-0.720$ ), organisational justice ( $r=-0.666$ ) and organisational commitment ( $r=-0.716$ ) indicate a strong relationship. Therefore, all hypotheses (H1 to H3) are supported.

### IV. DISCUSSION

When it comes to management perspective, this study helps the management to reveal the influencing mechanism of a dispatched employees’ turnover intention. The findings of this study revealed that when the organisation establishes psychological contract with dispatched employees, it ought

to pay more attention to the demands of the dispatched employees’ relational contract, so as to reduce the dispatched employees’ turnover intention. First, when the organisation wants to make a contract with dispatched employee, it needs to pay more attention to the dispatched employees’ appeal of psychological contract in the management practice; managers shall pay attention to the maintenance of the dispatched employees’ relation resource. The supervisor shall provide the dispatched employees with timely feedback on the work and give proper guidance and support to the dispatched employees, and devote to building a harmonious and friendly working atmosphere, so as to maximize the reduction of the dispatched employees’ turnover intention.



However, when dispatched employees begin to realize that employers cannot meet the expectations of the contract and identify occurrence of betrayal, dispatched employees will have higher intention to move out of the organisation.

It was found that organisational justice has a strongest relationship on turnover intention. This indicates that unfair work environment generates tension within an individual, which may eventually result in a reduction on dispatched employees' belonging towards the organisation. For this reason, the organisation need to pay more attention on organisation justice to enhance the dispatched employees' belongings to the organisation. From a practical standpoint, justice is only as important as its proven effects on workplace attitudes and behaviors. One of the intriguing attitudes that are of superior importance to employers is the understanding of turnover-intention. Therefore, factors that have a direct effect on turnover-intention are not only attractive to researchers but also to practitioners (Perryer et al., 2010). The practical significance of turnover-intention is amplified as retention of skilled dispatched employees has become more important than ever due to the increasing costs associated with actual turnover (Nadiri and Tanova, 2010). This backward reasoning highlights organisational justice as the factor that sparks desirable attitudes emphasizing the importance of improving the delivery of justice at the workplace (Kofi et al., 2016).

The results indicate that dispatched employees who are more committed to the organisation are less inclined to leave and highly committed dispatched employees are more loyal in staying with the organisation. Organisational leaders can increase the retention of dispatched employees by creating human resource policies and practices and increasing continuance commitment and normative commitment among employees (Benjamin & David, 2012). Improving business practices could decrease rates of turnover intention among employees and increase sustainable competitive edge in organisational development (Costen & Salazar, 2011). Understanding the relationship between organisational commitment and turnover intention may increase employee commitment and reduce the cost related to employee turnover (Alonso & O'Neill, 2009).

## V. CONCLUSION

The objective of this study was to identify the influence of psychological contract, organisation justice and organisation commitment on dispatched employees' turnover intention. In order to achieve this aim, the objective was incorporated into several hypotheses. From the preliminary search of literature, there are limited studies investigating on turnover intention especially on the factors which affect dispatched employees' turnover intention. Thus, this study fills in the gap by providing an integrative view of all the concepts of psychological contract, organisation justice, organisation commitment and turnover intention. The influencing mechanism of dispatched employees' turnover intention were identified through this study. Finally, it is hoped that this study will trigger more research interests in this field in the near future.

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