



Role of Transactional and Relational Contract in Employee Turnover Intention (A Study of Business Affiliated Institutions Employees of Peshawar Pakistan)

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Introduction

In today's fast paced and dynamic world the nature of jobs has turned towards contractual jobs. Since the term contract creates doubts in the mind of that ultimately leads employee to feel insecure in a respective job. But the fact is that every qualified individual needs jobs to satisfy this need the individual does not consider the nature of job i.e. contractual or permanent. There are two types of contracts regarding the job of employee. One is psychological contract and the other is transactional contract. From the perspective Pakistan, since the situations of job industry is not very healthy so this paper has great concerns for the matter to be discussed. The study has focused on the institutions affiliated with Peshawar University. The specific focus is on the faculty members of these institutes. So this nature of job basically stems the cause for turnover in affiliated institutions with Peshawar University.

Psychological contract; one of the most studied field in organizational research was first studied by Argyris in the year 1960. Later his research extended the idea and elabora-

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Abstract

The aim of this research was to investigate the impact of transactional and Relational contract on turn over intention in employees of Peshawar University business affiliated institutions in region of Peshawar Pakistan. The effect of both contracts on the turnover intention was investigated individually. A sample size of one hundred individuals was used in the study. For the analysis part of study hypothesis were developed and regression and correlation analysis was used. The study revealed that both relational and transactional contracts have an impact on turnover intention. But between both transactional and relational contracts transactional contract have more significant impact on turnover intention.

ted it with some different aspects. Many researchers contributed to this field by considering empirical assessment as the basis of their research. Over the period of time several definitions of Psychological contract have come up. It has been defined in different manners.

Anderson and Rene (1998) have defined it as "implicit contract between employee, employer and organization which identify what each expects to offer and get from each other in their relationship".

Schein (1978) defined it as "Employee expects from the employer and from organization, and on other side the employer also has expectation from employee". Herriot et al. (1995) defined it as "the perceptions of both parties to the employment relationship, organization and individual, of the obligations implied in the relationship. Psychological contracting is the process whereby these perceptions are arrived at" Rousseau et al. (1998) defined it as "the perception of people regarding the mutual obligation of

employer and employee".

Objectives of the study

- To study the impact of contract on turnover intention.
- To investigate the impact of psychological contract on turnover intention.
- To determine the impact of transactional contract on turnover intention.
- To find the impact of relational contract on turnover intention.

Rationale of the study

The main reason that motivated the author was to identify the reasons behind employee turnover in educational institutes. Since this study was conducted considering the nature of employment which is contractual. So based on the contractual nature of employment to what extent does it influence turnover intention. And another important factor is to check the extent whether transactional contract, relational contract or psychological contract affects the turnover intention.

Dimension of psychological contract

There are six dimensions of psychological contract described by Rousseau et al. (1998) individually. These include tangibility, scope, stability, time frame, exchange symmetry and contract level.

Tangibility (intangible vs tangible)

This dimension was first looked at by MacNeil in 1985 in his work done on contractual continuum. This was later best defined by Rousseau et al. (1998) as "the perception of the employee that the terms of the contract are clearly defined, openly specified and observable without a doubt for third parties".

Scope

The scope could be defined as the level of permeability between employment and personal life. It was best defined by Herriot et al. (1997) that scope is diffidence between employment and other aspects of one's life is seen as permeable. Based on the level of permeability, it could be well divided into two levels i.e; narrow (strict separation between personal life and work) and broad (personal life and work both are the focus of the employer's in this case).

Stability (stable vs flexible)

This concept has been concluded from the theory of MacNeil (1985) that stability is the degree of limitation of psychological contract in terms of its ability to change without an implied or indirect renegotiation of the terms. Within a working environment having few flexibility practices, low level of tolerance, and strict application of rules would enhance stability while on the other hand change and continuous reinterpretation will influence

stability (Kim et al. 2009).

Time frame

Time factor is another important dimension of psychological contract which is the time period between employee and employer relationship. Long term employment relationship could well be ensured by providing job security, by providing job security, close internal labor market, promotion based upon seniority and a little external motility. On the other hand the reasons for short term employment relationships are job mobility, limited numbers of open ended contracts, employment at will, and a boundary less career (Rousseau et al. 1998).

Exchange symmetry (equal vs unequal)

Exchange symmetry dimension is a new concept in the field of psychological contract that could well be defined as the amount one perceives about acceptability of unequal employment relationships. In a study conducted by Turnley and Daniel (1998) it was concluded that exchange symmetry is the formal relationships between different hierarchical levels and by accepting authority of the hierarchy and respecting the orders.

Contract level (individual vs collective)

The final dimension of Psychological contract is contract level. It is categorized into two main types; individual versus collective. This division is based on whether the contract will be regulated collectively versus individually. In a study conducted by Bunderson (2001) it was concluded that " collective contract level can be indicated where all the aspects of employment are decided on in a collective manner and are durable through the generally applicable rules". In the collective contract level, similar treatment is given to each employee and the role of trade unions are more prominent. In contrast to this, individual contract level stresses on individual negotiation.

Types of psychological contract:

Psychological contract is categorized into two different types. i.e. transactional and relational contract.

Transactional contract

Vos et al. (2003) described in his research that transactional contract is a short term contract between two parties. In this type of contract the interaction between both the parties is quite low. Further to this, the main focus is on materials and economic issues. The time frame is closed ended and specific. Despite of all this there is still room for stability in the scope of transactional contract. However the scope is narrow.

Relational contract

According to Vos et al. (2003) relational contract is an unstable, long term contract between two parties. In this type of contract the interaction between both the parties is

quite good. The main focus in this kind of contract is on loyalty in growth exchange apart from economic exchange. In other words one can say that the contract is specifically socio emotional. The time frame is also open ended and rational in this contract. The scope in case of relational contract is pervasive. The tangibility incase of relational contract is often subjected and understood.

Methodology

Sample

For the purpose of analysis business affiliated institution with Peshawar University were selected randomly. There were seven affiliated business institutions with Peshawar University. For analysis purpose the data was collected from employees of Peshawar business school, National College of science, Institute of computer and management science and Brains Post Graduate College.

Data Collection

For the study data had been collected through questioners. The questionnaire was developed on 5 point likert scale “1”

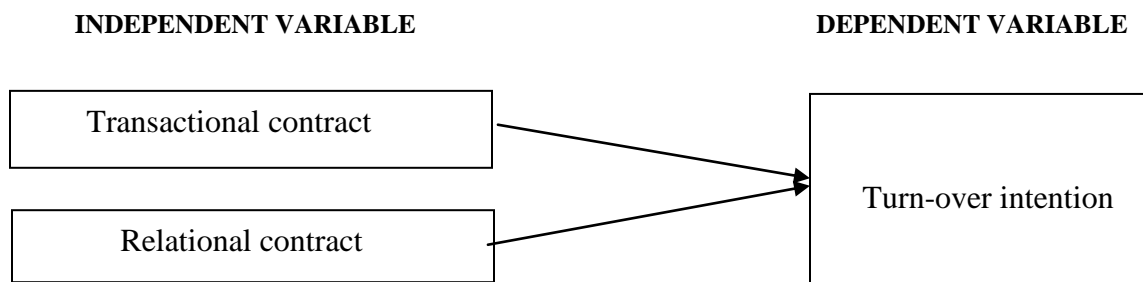
strongly Disagree and “5” for strongly agree to find which kind of contract has more impact on turn over intention of employees in affiliated institutions. The total number of responded contacted were 100, 87 filled questionnaires were received.

Procedure

After the collection of data regression and correlation analysis was run. Correlation was run to see the strength of association between variables. Regression was used to identify the impact of Psychological with respect to relational and transactional contract on turnover intention.

Theoretical Frame Work of the Study

In this study turn over intention is dependent upon two independent factors. These two factors are transactional and relational contract. Both transactional and relational contract are independent factors. But it is important to find which factor has greater impact on employee turn over intention.



Research Framework of the Study

Reliability

To find the reliability of the research instrument a scale reliability test has been calculated. After distributing 100 questionnaires among employees of affiliated institutions to Peshawar University in Peshawar region. The Cronbach’s Alpha for variables are as below in table 1.

Table 1: Reliability of the Scale of the study

S. No	Variable	Cronbach’s Alpha
1	Transactional contract	0.813
2	Relational contract	0.732
3	Turn over intention	0.791

The research instrument in shape of questionnaire was well established but for conformity reliability was calculated to carry study towards analysis.

Correlation Analysis

To find the relationship between dependent and independent variables correlation analysis has been calculated. Table 2 below show different results of the study.

Table 2: Correlation Analysis for Variables of the Study

S. No	Dependent variable	Independent variable	R	R ²
1	Turn over intention	Transactional contract	.869	.755
2	Turn over intention	Relational contract	.533	.284

As shown in table 2, there is a strong association between turn over intention and transactional contract with correlation coefficient (r = .869) which mean that transactional contract has a significant impact on turn over intention of the affiliated institutions to Peshawar university employees.

Survey demonstrate that there is a moderate relation ship between turn over intention and relational contact with correlation coefficient (r = .533). On the basis of this calculation this is observed that relational contract has a moderate impact on turn over intention of employees of affiliated institutions to Peshawar University.

Hypotheses and Regression Equations of the study

Following are the hypotheses related to the relationship transactional, relational and turnover intention the following hypothesis has been generated.

H.1. Transactional contract have an impact on turn-over

intention.

H.2. Relational contract have an impact on turn-over intention.

H.3. Transactional contract have more impact on turn-over as compare to relational contract.

Table 3 shows that the overall model is highly significant (P= 0.000). Which mean that there is a significant relationships exist between turn over intention and transactional contract (t-statistic = 27.849 and P-value= 0.00) which mean that transactional contract has a significant impact on the turn over intention of employees of affiliated institution with Peshawar university.

Table 3: Regression Results for Variables of the Study

S.NO	Dependent variable	Independent variable	Adjusted R ²	F	B	Standard error	T	P-value
1	Turn over intention	Transactional contract	.749	681.115	.968	.021	27.849	0.000
2	Turn over intention	Relational contract	.273	324.101	.674	.011	23.103	0.000

Relational contract is the second independent variable of the study. Results shows that relational contract has an impact on turn over intention of employees (t-statistic = 23.103 and P-value= 0.00). Which mean that relational contract also has a significant relationship with turn over intention of the employees of affiliated institution with Peshawar University.

Conclusion

Research shows that both transactional and relational contract has an impact on employee turnover intention. On the basis of analysis it has been concluded that turn over intention has a significant positive relationship with transactional contract. The findings of this study show that a strong significant relationship between turn over intention and transactional contract (t-statistic = 27.849 and P-value= 0.00). According to the results of this study relationship between turn over intention and transactional contract is more strongly correlated in comparison or relational contract. So the main reason behind employees of affiliated institution of Peshawar University is transactional contract. Hence it is recommended n the basis of this research to affiliated institutions with Peshawar university that transactional contact should be dealt carefully because it lead turnover intention which lead then towards actual turnover. Human Resource is the blood for any organization s without Human Resource it is not possible to survive or it’s not possible to work effectively with such type of employees having turnover intention.

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