



Discharge Policy Information In The Job Offer Letter: Its Impact On Recruit Perceptions Of Psychological Contract Formation And Organizational Attraction

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Abstract:

Using a 2×2 design, this study incorporates psychological contract theory and the “good cause norm” to investigate discharge policy information and implied promises of job security on reactions to the job offer letter. Results indicate that while embedded implied promises significantly increase perceptions of organizational attraction relative to a control, they demonstrate no discernable effects on recruit perceptions of organizational psychological contract obligations. Furthermore, embedded at-will disclaimers, alone or in combination with implied promises, significantly reduce perceptions of organizational attractiveness and organizational psychological contract obligations. Implications are discussed

Introduction

Attraction of high quality employees continues to be a major concern for most employers (Suazo *et al.* 2009), and there is reason to suspect that the way an employer reacts to erosion of the at-will doctrine may affect the firm's ability to attract employees (Roehling and Wright 2004). To date, several studies have been conducted identifying how recruitment-related information sources and characteristics serve as important antecedents of organizational attractiveness (Carless 2005; Cober *et al.* 2003; Mahony *et al.* 2005). Whereas empirical research exists examining the negative influence of termination policy communications in early stage recruitment materials (e.g., recruitment brochures; Roehling and Winters 2000; Schwoerer and Rosen 1989), very few researchers have investigated those factors that influence late-stage job-pursuit processes such as reactions to job offers. This relative dearth of research should be of particular interest to human resource specialists for a number of reasons. For example, it is likely that a significant portion of new hires are not actively exposed to early-stage recruiting materials and are first presented with termination policy information only later when extended a job offer letter, within which discharge information is embedded. Furthermore, job offer letters are among the most high-profile documents produced by an organization, one of the first places employment rights lawyers look in the event of litigation, and a key area where organizations continue to open themselves up to legal vulnerability (Dale 2006; Wimberley 2001). Moreover, an offer of employment constitutes a key form of organizational communication that can be interpreted by an applicant as a promise of a reciprocal exchange agreement (Conway and Briner 2005). Given the practical, legal, and psychological implications of recruits' reactions to job offer letters, this study seeks to shed light on this important, yet under-researched domain by examining the impact of discharge policy information embedded within job offers (i.e., implied promises of job security and at-will disclaimers) on organizational attractiveness and perceptions of the organization's psychological contract obligations.

Employment at Will, the Good Cause Norm, and Relational Contracts

It is common law throughout most of the U.S. that an employee hired for an indefinite period of time without an employment contract is terminable at-will by the employer (Rothstein and Liebman 2003). The employment at-will doctrine, most prevalent in non-unionized organizations, provides that an employer can legally dismiss an employee at any time for any reason as long as the dismissal does not violate provisions of a specific statute (e.g., the Civil Rights Act of 1964, the Americans with Disabilities Act), or, in many states, undermine important public policy (e.g., serving jury duty). Under this doctrine, the employee likewise has a right to leave the employment relationship at any time (Heaton 2003).

While most human resource professionals practicing within the United States are very familiar with core principles of the at-will concept, many are not aware of the substantial differences between our domestic employment laws and those of other countries (Mello 2004). For example, employment-at-will is rarely recognized internationally. Indeed, as a practice, it has been soundly rejected in Mexico, India, and Korea as well as other Anglo-system countries such as England, Canada, and Australia. Thus, most countries outside of the United States offer significant employee protections that are incompatible with an employment-at-will philosophy. This disparity has the potential to pose significant problems not only for American multinational companies operating in countries where layoffs and terminations are heavily regulated, but also foreign entities operating in America. For non-U.S. businesses, the consequences of required at-will communications should be well understood by any organization engaging in business transactions involving

employee staffing (Mello 2004; Posthuma *et al.* 2006).

Organizations often incorporate at-will disclaimers in company handbooks, job offer letters, and recruitment literature to inform recruits of organizational discharge policy (Kim 1999; Roehling 2002; Roehling and Wright 2004). Though these disclaimers are used to avoid potential costly lawsuits, it has been argued that this impersonal, litigation-oriented approach has adverse effects on the formation of the employment relationship (Roehling and Wright 2004). For example, researchers have found the use of employment at-will disclaimers negatively affects job seekers evaluation of organizational attractiveness and willingness to sign up for an interview (Roehling and Winters 2000; Schwoerer and Rosen 1989). Research indicates that at-will disclaimers may lead to these negative outcomes as a result of a violation of the “good cause” norm (Roehling 2002; Wayland *et al.* 1993).

The good cause norm is a societal-level norm that reflects the belief that all individuals are fundamentally endowed with dignity and should thus be treated fairly and respectfully. As such, organizations are obligated to provide good reasons for employee termination, regardless of the employer’s formally-stated policy. These theoretical assertions have received much empirical support (for a review, see Roehling 2002) and have been shown to influence employee behavior cross-culturally (Grimmer and Oddy 2007; Westwood *et al.* 2001).

As noted by human resources management researchers, the good cause norm is routinely found in the employee-employer exchange, however, in this narrower context it is made manifest in the form of a psychological contract (Roehling 2002; Roehling and Boswell 2004; Roehling and Wright 2004). According to psychological contract theory, employee perceptions of the organization’s explicitly and implicitly stated promises give rise to expectations which serve as the foundation of psychological contract formation (Robinson and Rousseau 1994; Rousseau 1990, 1995). Psychological contracts are further characterized as schemas shaped in an ongoing way by internal and external factors that help individuals make sense of the employment relationship (Rousseau 2001). Thus, the psychological contract represents one’s belief regarding the terms and conditions of a reciprocal exchange agreement between oneself and the organization. The psychological contract emerges as one garners new information regarding the employment relationship, and comes to believe that he/she has been promised some form of future return, creating a psychological obligation to reciprocate in kind in the form of effort, commitment, and loyalty (Rousseau 1990, 1995, 2001).

Importantly, researchers have differentiated between two types of psychological contracts: transactional psychological contracts and relational psychological contracts (Rousseau 1990, 1995). A relational contract is defined as broad, amorphous, long-term, non-quantifiable, and subjectively understood by the parties to the exchange (Miles and Snow 1980; Morrison and Robinson 1997). The good cause norm would be an example of a relational contract. In contrast, transactional contracts involve highly specific, easily-quantified exchanges of narrow scope and duration with terms and conditions that are likely to be publicly available (e.g. through a written contract or, in the absence of a contract, an employment at will policy; Robinson *et al.* 1994; Rousseau and Parks 1993).

Employment at Will and Employee Outcomes

Recently, human resource management scholars have noted that while the predominant pattern in organizations over the past 20 years has been a shift toward greater emphasis on shorter-term, transactional psychological contracts (Conway and Briner 2005; Suazo *et al.* 2009), researchers have also found that attitudinal and/or behavioral responses to psychological contract breaches are more pronounced for relational psychological contracts (Conway and Briner 2005; Grimmer and Oddy 2007). These results indicate that HR researchers and practitioners would do well to understand the mechanisms for creating, and the results of breaching, relational psychological contracts.

Much research has suggested that the organization plays a key role in the formation of relational psychological contracts (Conway and Briner 2005; Guzzo and Noonan 1994; Sparrow 2000). More specifically, any form of HR-related organizational communication (e.g., recruitment materials or personnel manuals) made by any member of the organization (e.g., recruiter or a manager) can be interpreted as a promise by a potential employee and serve as a basis for a broad relational contract that serves socio-emotional needs. In the recruitment context, the employer and recruit discuss what they each can offer in the prospective employment relationship. During this time, the organization attempts to entice and attract the recruit by projecting the most favorable image possible. In doing so, any communications made to the recruit serve as not only the basis for the terms and conditions of employment, but also as promises upon which relational psychological contracts are built. During this discourse, statements made by agents of the organization, no matter how informal and imprecise, may later be remembered as promises and give rise to expectations of organizational obligations to the employee. In turn, these perceptions influence the degree to which recruits reciprocate by adjusting their own obligations to their employer and levels of attraction (Robinson and Rousseau 1994).

Thus, during recruitment, the good cause norm informs potential employees that freedom from arbitrary discharge is a fundamental right and that employers who fail to provide good reasons for discharge are in violation of an important social obligation (Roehling 2002). As a relational contract, the good cause norm assures recruits that hard work and loyalty will be exchanged for job security. Accordingly, violating the good cause norm during discharge has been found to affect perceptions of fairness (Rousseau and Anton 1991) as well as perceptions of organizational attractiveness and intentions to pursue job opportunities during recruitment (Schmedeman and McLean-Parks 1994).

However, to date, no one has examined the effects of the inclusion of an at-will disclaimer during late-stage recruitment (i.e., in a job-offer letter). Furthermore, no one has examined the effects of an at-will disclaimer on prospective employees' perceived organizational psychological contract obligations. As noted above, both empirical and theoretical work indicates that psychological contract breach resulting from the use of at-will disclaimers should disrupt perceptions of organizational obligation to reciprocate treatment in kind. Thus, it is likely that their presence in a job offer letter will also result in lower levels of organizational attractiveness and perceptions of organizational psychological contract obligations. Based on the above, the following hypotheses are proposed:

Hypothesis 1a: The presence of an at-will disclaimer will decrease levels of organizational attractiveness relative to a control condition.

Hypothesis 1b: The presence of an at-will disclaimer will decrease levels of psychological contract obligations relative to a control condition.

Implied Promises and Employee Outcomes

While organizations often disseminate discharge information through the use of at-will disclaimers, they also rely on organization-generated materials (i.e., employee handbooks, personnel manuals, job-offer letters) to convey promissory language meant to enhance recruits' perception of job security. Examples of this type of language can be seen in provisions that indicate an employer will follow specific procedures prior to disciplining or terminating an employee, a suggestion that long-term employment may follow a probationary period, or communication of the organization's no-layoff policy (Arthur 2006; Muhl 2001; Rousseau 1995; Schmedeman and McLean-Parks 1994). Whereas the verdicts from several court cases have ruled that the distribution of materials crafted with such promissory language may amount to an implied promise of job security (Conner v.

City of Forest Acres 2002; Hoffman-La Roche, Inc v. Campbell 1987; Pine River State Bank v. Mettille 1983; Toussaint v. Blue Cross Blue Shield 1980), no one has examined the extent to which job security inducements embedded within job-offer letters influences recruits' perceptions of organizational attractiveness and psychological contract obligations.

Rousseau (1995) suggests that relied-upon promises are the essence of psychological contracts. Organizations convey commitments through communications that indicate intentions for the future employee–employer relationship, thus creating a relational contract with the employee. Such communications routinely occur during personnel-oriented actions (e.g., recruitment) carried out by virtually any organizational agents (Conway and Briner 2005; Rousseau 1995). During recruitment, organizational representatives tend to emphasize the attractiveness of the organization and provide information to recruits regarding the nature of the job, the organization, and its personnel policies and practices in the best possible light. Simultaneously, the recruit integrates this new information into evolving knowledge structures and schemas in order to better understand the employment relationship (Rousseau 2001). Thus, these types of promises influence the formation of an individual's relational psychological contract and ultimately, the information conveyed during the recruiting process may dramatically influence perceptions of organizational attractiveness and psychological contract obligations.

Extant research has demonstrated that policies and procedures conveying an organization's concern for fair treatment to the employee positively influence employee perceptions of organizational attractiveness (Schmedeman and McLean-Parks 1994). As such, it is likely that the inclusion of language embedded within a job-offer letter implying some degree of job security informs recruits that the organization treats its employees in a just way by affording employees due process prior to reprimands or discharge. According to the good cause norm, recruits are likely to respond to implied promises of job security by reciprocating back to the organization in the form of elevated perceptions of attractiveness. By extension, this degree of concern for employees should elevate recruits' perceptions of psychological contract obligations. As such, we hypothesize the following:

- Hypothesis 2a: The implied promise of job security will increase levels of organizational attractiveness relative to a control condition.
- Hypothesis 2b: The implied promise of job security will increase levels of psychological contract obligations relative to a control condition.

Employment at Will X Implied Promises and Employee Outcomes

Problematically, organizations may incorporate both an at-will statement and an implied promise clause within recruitment materials (Roehling and Wright 2004). However, research has not been carried out investigating the effects of mixed or contradictory messages from employers on attractiveness or psychological contract implications. According to Rousseau (1995), psychological contract violations occur frequently within an organization and can lead to adverse reactions from the employee. Rousseau suggests that psychological contracts are likely to be breached due to opportunism, which is defined as active, self-serving behavior by one party at the expense of another (Rousseau 1995). While organizations often use the job-offer letter as an opportunity to stress the excellence of pay, co-workers, benefits, and job advancement, they may also incorporate promissory language in order to enhance perceptions of job security and secure the most qualified candidates (Arthur 2006; Heneman *et al.* 1994; Rynes 1991). However, if an organization simultaneously uses the job-offer letter as a vehicle for the delivery of an at-will disclaimer,

recruits may perceive the conflicting messages as the organization's attempts at opportunistic behavior at their expense (Rousseau 1995), thus negating the positive effects of the promissory language.

This inconsistency should affect employee perceptions of the organization. Psychological contract theory predicts that it is not the organization's treatment of the employee per se but the discrepancies in actions taken that provide the basis upon which employees interpret the reciprocal relationship (Coyle-Shapiro and Conway 2005). A job offer is an attempt by the organization to induce an individual into the employment relationship. The offer is the last attempt for the organization to present incentives, but it is also an employment document within which the employment at-will disclaimer is typically prominently displayed (Arthur 2006). Thus, the juxtaposition of inducements with a disclaimer makes the job offer-letter a key component in the study of disclaimers. Based on the above, we hypothesize that contradictory messages (the combination of promissory language with an at-will disclaimer) will lower recruits perceptions of both organizational attractiveness and organizational psychological contract obligations.

Hypothesis 3a: The combination of the implied promise of job security and an at-will disclaimer will lower perceptions of organizational attractiveness relative to a control condition.

Hypothesis 3b: The combination of the implied promise of job security and an at-will disclaimer will lower perceptions of psychological contract obligations relative to a control condition.

Method

Participants

Prior to beginning this study, university institutional review board (IRB) approval was obtained. Participants were 243 senior-level undergraduate business students at a mid-sized southeastern university, who were enrolled in a strategic management course during their final semester in college. Students were recruited during class time and asked to take part in this study in exchange for course credit. During the informed consent process, students were informed that they were not required to participate and that no penalty would be incurred for refusing. During the data collection process, participants were asked to provide their names on a cover sheet attached to the study packet in order to assign course credit. Once this information was logged, the cover sheet was discarded, thus preserving participant anonymity and confidentiality. The mean age of the participants was 22.8 and the sample was 63.5% female and 85.7% Caucasian, 10.8% African American, and 3.5% categorized as either Asian, Hispanic, Native American, or Other. Seventy-nine percent of the participants reported being actively involved in a job search at the time of the study.

Procedure

Participants were asked to play the part of an applicant interested in obtaining a position at a fictitious organization. The motivation of participants to answer carefully was of high importance to this study. Thus, in order to maximize applicant attraction and interest in this position, a pilot study was conducted prior to focal study initiation. For the purpose of the pilot study, a separate sample from the same population ($N=92$) was presented with four

fictitious positions differing on job tasks, necessary skills, and organizational culture and asked to rate each on its attractiveness. The position that ranked highest among the pilot study sample ($M=5.2$ on a 7-point scale) was employed for use in the focal study. Participants in the focal study were presented with a thorough description of the position, the company, its culture, and the coworkers and clients with which one would be working.

Participants for the focal study were randomly assigned to one of the four conditions under study. In this 2×2 between-subjects design, each participant was presented with three job offer letters; two dummy letters and one randomly assigned experimental letter. Research in the area of decision making has shown that the choice set (alternatives available from which to choose) has a significant and substantial impact on how decision-makers evaluate alternatives (Hastie and Dawes 2001). The inclusion of dummy letters serves to anchor the participants' perceptions of the experimental letter and ensures a common frame of reference across experimental conditions. Moreover, given the nature of the subject pool, it was thought that a stand-alone offer letter would have restricted the range of responses, as college seniors are likely to rate any single job opportunity favorable, given the currently poor economic conditions and dour job outlook for new business graduates. Thus, giving participants a comparative tool with which to judge attractiveness likely increases the variance in responses.

The first dummy letter (Appendix A) included an elevated annual salary (10% above the experimental salary) and the use of a company car. This offer was constructed to be a more attractive offer than the experimental letter. The second dummy letter (Appendix B) included a lower annual salary (10% below the experimental salary) and the requirement of extensive travel. This offer was constructed to be less attractive than the experimental letter. The four experimental letters were constructed in such a way as to present participants with a mid-level salary and average benefits. The experimental salary was set at the mean starting salary of the university's business graduates, as determined by a survey of recent graduates. Each of the experimental letters included the same benefits and compensation package and varied only with respect to inclusion of at-will disclaimers and an implied promise of job security.

The explicit employment at-will condition (Appendix C) contained the inclusion of an at-will disclaimer at the end of the offer letter but before the signature line. The disclaimer was as follows: "This letter does not constitute a contract. Our Company adheres to a policy of employment at-will. Your employment and compensation can be terminated, with or without cause, and with or without notice, at any time." This language was crafted based on a combination of 11 actual job offer letters solicited from graduating students and language recommended in employment law textbooks (e.g., Rothstein and Liebman 2003).

The implied promise of job security condition (Appendix D) included the following statement: "We are sure you will come to value the long-lasting relationship you develop with your colleagues. This is a company in which you can stay and grow. We hope this is the beginning of a long, rewarding, and mutually prosperous relationship." This statement, based on similar language found in six of the 11 job offer letters obtained, was included in the first paragraph of the offer letter.

The combined at-will/implied promise condition (Appendix E) employed a job offer letter in which both of the aforementioned manipulations were embedded. Lastly, the control group participants received the same general letter as the experimental conditions, save the aforementioned manipulations (Appendix F).

Dummy letters were presented first to participants, followed by presentation of the experimental letter. Participants were asked to assume the role of offeree and respond to specific questions regarding the attractiveness of the offer, participant's psychological contract formation, demographic information, and manipulation checks only in response to the experimental letter, which was read last.

Measures

Organizational Attraction Highhouse *et al.* (2003) 15-item measure of organizational attractiveness was used. This measure taps one's perceptions of organizational attractiveness and prestige, as well as behavioral intentions to accept a job offer. This measure has demonstrated superior levels of construct validity (Highhouse *et al.* 2003). A sample item reads "A job at this company is very appealing to me" and is rated on a 7-point Strongly Disagree-Strongly Agree Likert-type scale.

Psychological Contract Formation The present study assessed the perceptions of the potential employment relationship using a 3-item measure taken from Rousseau's (1990) scale. The scale composed items measuring the extent to which respondents felt the organization would be obligated to them to provide training, long-term job security, and career development. Past research that has drawn items from this scale has demonstrated acceptable levels of construct- and criterion-related validity associated with this measure (Robinson 1996; Robinson *et al.* 1994). A sample item reads "To what extent do you believe this organization is obligated to provide you with long-term job security?" and is rated on a 5-point Not at all-Very Highly Likert-type scale.

Manipulation Checks Three yes/no questions were used to assess the effectiveness of the manipulation in the experimental letter. The first, second, and third manipulation checks asked participants whether they realized that they could be fired at any time, whether the offer letter implied a promise of job security, and whether the offer letter contradicted an implied promise with an employment-at-will clause, respectively.

Results

The means, standard deviations, and alpha reliabilities of all variables used in the study are presented in Table 1.

Subjecting each of the three manipulation checks to 4×2 (Condition: Employment at-will disclaimer only, implied promise only, combined employment at-will disclaimer/implied promise, and control X Yes/No) chi-square goodness-of-fit tests revealed the following: For the first manipulation check, awareness of the employment at-will disclaimer, the omnibus chi-square test indicated that participants differentially understood that they could be fired at any time according to condition, $\chi^2(3, 242)=12.90, p<.01$. A post-hoc cell contribution analysis, a form of standardized residual that determines what each cell contributes to the chi-square analysis (Tabachnik and Fidell 2001), indicated that the observed significant difference is due to those in the at-will disclaimer condition perceiving an at-will disclaimer at a higher proportion than those in the other conditions ($p<.05$).

Table 1 Means, standard deviations, correlations, and alpha reliabilities of study variables.

Variables	Mean	SD	α	r
Study Variables				
1. Organizational Attraction	4.62	0.82	.91	
2. Psychological Contract Obligations	3.04	0.81	.86	0.52**

α = alpha reliabilities; ** $p<.01$

For the second manipulation check, awareness of implied job security, the overall chi-square statistic was again significant, $\chi^2(3, 242)=15.43, p<.01$, indicating differences in perceptions of implied job security by condition. Inspection of the standardized residuals demonstrated that those in the implied promise condition perceived an implication of job security at a higher rate than those in the other conditions ($p<.05$).

Lastly, the third manipulation check, awareness of a contradiction between an employment-at-will disclaimer and an implied promise, was also statistically significant, $\chi^2(3, 242)=8.88, p<.05$. Analysis of the standardized residuals indicated that those in the employment-at-will/implied promise condition recognized an embedded contradiction at a marginally significantly higher rate than those in the other conditions ($p<.07$).

Overall, the results of the manipulation checks independently indicate that our planned manipulations functioned as forecasted and that conclusions drawn from the following analyses are likely valid.

Our sample was heavily weighted with female participants who were asked to report to female executives per our simulated job offer letter. Relational demography research suggests that individuals tend to be drawn to those who are demographically similar to themselves, even in a recruitment context (Martins and Parsons 2007; Tsui and O'Reilly 1989). Thus, prior to running our focal analyses, we sought to investigate any gender-based differences on our dependent variables. No gender differences were found for organizational attraction across males ($M=4.51$) and females ($M=4.64$), $t(241)=1.38, p=ns$. Similarly, psychological contract obligations were not significantly different across males ($M=3.01$) and females ($M=3.06$), $t(241)=0.64, p=ns$.

For our focal analyses, one-way between-groups analyses of variance, followed by Least Significant Differences (LSD) post hoc tests, were conducted to explore the impact of employment at-will disclaimers and implied promises of job security on organizational attractiveness and psychological contract obligations (See Table 2). There was a significant difference in organizational attractiveness across conditions $F(3, 242)=7.28, p<.001$, as well as a significant difference in psychological contract obligations across the experimental conditions $F(3, 242)=2.73, p<.05$.

Post-hoc comparisons (Table 2) indicated that the mean scores on organizational attractiveness for the employment at-will disclaimer condition ($M=4.21, SD=.81$) was significantly lower than that of the control condition ($M=4.78, SD=.65$), thus providing support for Hypothesis 1a. Furthermore, the mean score on psychological contract obligations was significantly lower for respondents in the employment at-will disclaimer

Table 2 Means for dependent variables by experimental condition.

Dependent Variable	Condition			
	EAW ($N=60$)	IP ($N=59$)	Control ($N=62$)	EAW X IP ($N=62$)
Organizational Attraction				
M	4.21 _a	5.21 _b	4.78 _{abc}	4.34 _c
SD	0.81	0.87	0.65	0.93
Psychological Contract Obligations				
M	2.81 _b	3.24	3.26 _{bc}	2.89 _c
SD	0.84	.93	0.70	0.65

Means with the same subscript across dependent variable denote a-priori specified statistically significant differences at $p<.05$; EAW = Employment at will; IP = Implied Promise

relative to those in the control condition ($M=2.81$, $SD=.84$ and $M=3.26$, $SD=.70$, respectively), supporting Hypothesis 1b.

In addition, in support of Hypothesis 2a, mean levels of organizational attractiveness were significantly higher for those in the implied promise of job security condition ($M=5.14$, $SD=.77$) compared to those in the control condition ($M=4.78$, $SD=.65$). However, mean levels of psychological contract obligations did not differ across the implied promise of job security condition and control condition ($M=3.24$, $SD=.93$ and $M=3.26$, $SD=.70$, respectively), refuting Hypothesis 2b.

The combination of the implied promise of job security and an at-will disclaimer did significantly lower perceptions of organizational attractiveness relative to the control condition ($M=4.34$, $SD=.93$ and $M=4.78$, $SD=.65$, respectively), supporting Hypothesis 3a. Lastly, Hypothesis 3b was supported as the combination of the implied promise of job security and an at-will disclaimer did result in significantly decreased levels of psychological contract obligations relative to the control condition ($M=2.89$, $SD=.65$ and $M=3.26$, $SD=.70$, respectively).

Discussion

It has been suggested that a legalistic approach in preventing implied contract claims has negative implications for a firm's attractiveness (Roehling and Wright 2004). The inclusion of disclaimers to avoid potential costly litigation may bring costs not previously anticipated by the employer. These costs are associated with a firm's ability to attract employees. Indeed, Schwoerer and Rosen (1989) and Roehling and Winters (2000) showed that communication of an employment at-will policy decreased both ratings of a firm's attractiveness and the subject's intentions to pursue a job opportunity with that firm. This study sought to extend the extant research on the effects of recruitment-related communications to later stages of the recruitment process—the job offer letter—by investigating the effects of employment at-will disclaimers, implied promises, and the combination of the two on measures of organizational attractiveness and perceptions of organizational psychological contract obligations.

In accordance with previous research (Roehling and Winters 2000; Schwoerer and Rosen 1989), the findings of the current study indicate that an organization may be at a disadvantage by including an employment at-will disclaimer. The current study investigated the effects of an at-will disclaimer at the final, and most high-profile, stage of recruitment, the job offer letter. Our results suggest that participants could correctly identify an embedded at-will disclaimer in a job offer letter and that the disclaimer decreased ratings of organizational attractiveness. Moreover, this study found that perceptions of psychological contract obligations were also negatively influenced by the inclusion of at-will disclaimers. These results suggest that future job applicants do in fact expect freedom from arbitrary discharge and are suspicious of violations of the good cause norm, which might be made manifest through the communication of at-will policies in an offer letter.

Furthermore, our findings also indicate that participants did recognize the inclusion of an implied promise of job security embedded within an offer letter and subsequently rated the organization as more attractive than those in the control condition. Thus, it appears that the implication of job security rights may afford an organization a dramatic advantage in recruitment efforts with respect to organizational attractiveness. Conversely, participants in the implied promise condition were no different than the control condition with respect to their perceived psychological obligations from the employer.

Participants in the combination implied promise and employment at-will condition correctly identified that there was a contradiction between an implied promise of job security and a statement negating job security. Interestingly, our results suggest that the positive influence of an implied promise on organizational attractiveness is negated by the inclusion of an at-will disclaimer. Thus, it would appear that the inclusion of an implied promise of job security does little to elevate levels of organizational attraction when presented simultaneously with an at-will disclaimer. Taken together, the results of this study offer some intriguing implications.

For example, given our experimental findings, some might question the wisdom of including any form of employment-at-will statement in organizational materials. While a clear employment-at-will statement might serve to lessen an organization's vulnerability to legal challenge and help defend it against implied-contract charges initiated by terminated employees, researchers have begun to advocate embedding this legalistic approach within a broader and more strategic organizationally-sensible approach that provides a balanced focus on minimizing legal risks and maximizing organizational rewards (Roehling and Wright 2004). Employees are increasingly willing to speak out and act on issues related to workplace sensitivity and organizational justice (Colquitt and Chertkoff 2002). Thus, for recruitment purposes, an important component of organizational employment policy would seem to be a guarantee of protection from arbitrary treatment by management. Unfortunately however, this practice is simply imprudent from an organizational perspective. For legal purposes, management would wish to reserve the right to terminate at will.

Ultimately, human resource planners are faced with this contradiction: Recruiting materials (such as job offer letters) that emphasize respect for employee rights and due process may communicate a degree of job security and increase levels of organizational attraction. However a clear statement of corporate adherence to the employment-at-will doctrine may limit litigation against the organization, yet communicate less long-term security and thereby reduce levels of organizational attraction and perceptions of psychological contract obligations. In order to strike a balance between the two concerns, it seems that corporate human resource specialists must learn to draft employment policies that cater to the demands of applicants who require assurances of due process while simultaneously preserving the organization's legal rights.

Human resource professionals might find value in harnessing the behavioral sciences literature and psychological contract research literature to assist in crafting suitable language for written contracts that help create clear expectations that clarify the organization's stance on employment-at-will and at the same time minimize the occurrences of negative experiences that lead to employee turnover or litigation (Rousseau 1998; Roehling and Boswell 2004; Suazo *et al.* 2009). For example, Turnley and Feldman (1999) found that the provision of adequate justification lessened the negative impact that psychological contract breach had on turnover intentions. These results suggest that the negative effects of psychological contract transgressions may be dampened, if not eliminated altogether, through selective and effective communications that strike an appropriate, conciliatory tone. To our knowledge, no empirical evidence exists to provide this type of guidance to human resources practitioners, thus future research should investigate whether optimal job offer language can be constructed that will simultaneously preserve the employer's at-will rights without undermining the positive aspects of job security which the employer may wish to convey.

Our contradictory findings with regard to the influence of an implied promise of job security are also intriguing, from both theoretical and practical perspectives. While we found that an implied promise positively influenced organizational attraction, contrary to

our expectations, we found no effect for an implied promise on psychological contract obligations. We believe these results may stem from the relative time it takes for perceptions of organizational attraction and psychological contract obligations to form. Much research indicates that characteristics of the recruiter, recruitment materials, and recruitment techniques have immediate proximal effects on applicant attraction (Allen *et al.* 2004, 2007; Barber 1998), indicating that applicants determine their levels of attraction relatively quickly. As a result we might expect recruits to report increased perceptions of organizational attraction as a result of implied promises.

In contrast to the rapidity with which attraction perceptions are formed, Rousseau (2001) argues that relational contracts are built over successive interactions with organizational agents who make, either implicitly or explicitly, promises of job security. This logic would suggest that perceptions of organizational psychological contract obligations are likely relatively uninfluenced until one's mental model of the relational contract is formed. When compared to longer-tenured employees, recruits have fewer interactions with organizational agents and less exposure to organizational communications; thus, it may be unlikely that stable relational contract schema have had sufficient time to fully form for these individuals. Consequently, perceptions of organizational psychological contract obligations may be little influenced by promissory language embedded within recruits' job offer letters. Instead, these perceptions may be incrementally influenced over the entire socialization and organizational entry processes (Schein 2000) as new members encounter organizational policies and practices that influence the formation of the relational contract.

While more research is required to ensure the appropriateness of this interpretation (specifically longitudinal investigations of recruits' relational contract formation), our findings demonstrating that psychological contract obligations were significantly lower for those in the at-will condition and the combined at-will/implied promise condition indicate that psychological contract breaches may occur very early on in the schema-building process. If this interpretation is accurate, it would indicate that long-term commitment intimated by promissory language in the job offer letter has little effect on one's perception of organizational obligations to the employee; yet explicit employment-at-will language dramatically decreases these perceptions before organizational entry. One might expect these effects for at-will language; an at-will clause is essentially a statement meant to set forth at an early stage a contract agreement between recruit and organization. In this sense, at-will disclaimers make immediate and explicit for the recruit the relational contract, effectively eliminating the schema building latency period. As outlined by Rousseau (2001), relational contract schema are relatively durable and fairly resistant to change once established, making even more salient the need for at-will language that can successfully mollify recruit concerns over due process, yet provide the organization with the necessary legal protections.

Lastly, whereas this study investigated perceptions of organizational contract obligations in a decidedly American context, there is evidence that HRM practices influence psychological contract formation and employee expectations internationally. For example, perceived psychological breaches related to HRM policy have been found to influence the extent to which Chinese employees engage in destructive behavioral responses including disloyalty, neglecting job duties, and turnover intentions (Si *et al.* 2008; Turnley and Feldman 1999). The results of these studies are in accord with our results; employees do not react to contract violations in passive ways. Many American multinational firms have adopted globally consistent policies and practices in order to foster a uniform corporate culture (Briscoe and Schuler 2004). Based on the above however, it should be kept in mind that the globally consistent application of at-will language in the recruitment process will likely result in negative recruit reactions and legal pressure to adapt their practices in different countries.

Similarly, non-U.S. multinationals should understand how American law impacts both human resource decisions and recruit perceptions as research has indicated a clear link between perceptions of procedural justice and employee litigation (Harris 2000). A failure to appreciate these links can result in the potential for significant liability and human resource disputes. Accordingly, both international and multinational companies should pay attention to the manner in which materials are prepared and presented to potential employees as psychological contract breaches have an influence on the attraction and perceptions of valuable human resources, an effect that seems to span national boundaries.

Limitations & Future Research

Although our findings have helped to answer recent calls in the recruiting literature, our study did have several limitations. For example, one limitation of this study was our use of a student sample, which limits generalizability. While our sample was composed of senior-level business students who will, in the near future, actively enter the job market and become the target of organizational recruitment efforts, use of this sample may have nevertheless restricted the range on relevant variables. Future researchers should attempt to replicate our results on actual job applicants with more work experience to ensure the generalizability of our findings. In a related vein, future research should also examine the reaction of experienced employees, especially those who have experienced terminations due to mergers, acquisitions or corporate downsizing. Studying experienced employees might serve to alleviate the possibility that the setting, in this case a classroom, either increased or decreased the salience of information regarding at-will policies. In addition, empirical evidence has suggested that broader group-level variables such as job category (mid-managers, lower-level managers, and non-managers) systematically impacts perceptions of the employee-employer relationship (Bae and Lawler 2000; Wang *et al.* 2003). As such, one might expect that higher-level grouping variables (i.e., job category or occupation) should augment or attenuate the effects of at-will language on organizational attraction or psychological contract obligations. Future research should also investigate group-level influences on our dependent variables.

We also wish to emphasize that our hypothesis testing was conducted in a cross-sectional manner, which limits our ability to gauge the lasting effects of implied promises or perceived breaches of the psychological contract. There is empirical evidence to suggest that psychological contract breaches influences turnover, task performance, and organizational citizenship behavior for many months to come (Bunderson 2001; Robinson 1996). Future research should investigate in a longitudinal sense the negative ramifications of embedded at-will disclaimers and perceptions of psychological contract breaches to discern at what point the effects of these violations abate. Another methodological issue that should be noted is nature of the language in our simulated letters. We included various incentives (i.e., pay at 10% above the mean, the use of a company car) in the first dummy letter in order to construct a more attractive offer than the experimental letter, thereby anchoring participant perceptions. However, to the extent that a) the offer of a company car was seen as unrealistic or b) students perceive that they are deserving of an above-average salary, our results may have been skewed. Future research should consider the influence of such incentives and carefully craft language accordingly. Lastly, validity with which we measured psychological contract obligations may be an issue. While this scale has been shown to be both reliable and valid (Robinson 1996; Robinson *et al.* 1994), the use of a three-item measure may fail to adequately tap the entire psychological contract obligations domain, thus raising questions about its content validity.

Moreover, in order to further our understanding of the effects of employment-at-will disclaimers and implied promises on important organizational outcomes, future research should investigate other potential moderating variables such as equity sensitivity (Huseman *et al.* 1987), negative affectivity Watson and Clark (1984), Machiavellianism (Dahling *et al.* 2009), or cultural differences (Kiesler and Sproull 1982) that may serve to sensitize or immunize the effects of employment at-will disclaimers and implied promises of job security. Given the subjective nature of psychological contracts and implied promises, it is likely that their fulfillment and/or violation are viewed quite differently, depending on characteristics of the perceiver. Likewise, future research might examine whether the inclusion of at-will disclaimers undermines the credibility of other positive messages the employer attempts to convey (regarding, for example, environmental friendliness, corporate responsibility, and others), or whether the effect of at-will disclaimers is limited to concerns related to job security.

Appendix A

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

ABC would like to offer you the position of (assume this is a position you desire) in our organization. At ABC, we value each and every one of our employees.

Your initial compensation package includes a yearly salary of \$47,915.83 and full medical and dental coverage through our company's employee benefit plan. In addition to this generous compensation package you will also be given a company car. You will be classified as an exempt executive-level employee. After 90 days you will become eligible to participate in ABC's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. After completion of our six-week orientation and training program for new executives, you will report directly to Cynthia Coates.

Please let me know if you have any questions. We look forward to hearing from you.

Sincerely,

Walter Wilson
Senior Vice-President
ABC Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

Appendix B

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

DEF would like to offer you the position of (assume this is a position you desire) in our organization. At DEF, we value each and every one of our employees.

You will be classified as an exempt executive-level employee. Your initial compensation package includes full dental and medical coverage and an annual salary of \$39,203.21. After 90 days you will be eligible for participation in DEF's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. This position will require extensive travel and long hours. After completion of our six-week orientation and training program for new executives, you will report directly to Debra Donahue.

Please let me know if you have any questions. We look forward to hearing from you.

Sincerely,

Steve Stephenson
Senior Vice-President
DEF Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

Appendix C

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

GHI would like to offer you the position of (assume this is a position you desire) in our organization. At GHI, we value each and every one of our employees.

The beginning compensation package for this position includes an annual salary of \$43,559.12, and full medical and dental coverage through our company's employee benefit plan. You will be classified as an exempt executive level employee. After 90 days you will be eligible for participation in GHI's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. After completion of our six-week orientation and training program for new executives, you will report directly to Holly Hamilton.

Please let me know if you have any questions. We look forward to hearing from you.

This letter does not constitute a contract. Our company adheres to a policy of employment at-will. Your employment and compensation can be terminated, with or without cause, and with or without notice, at any time.

Sincerely,

Joe Johnson
Senior Vice-President
GHI Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

Appendix D

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

GHI would like to offer you the position of (assume this is a position you desire) in our organization. At GHI, we value each and every one of our employees. We are sure you will come to value the long-lasting relationship you develop with your colleagues. This is a company in which you can stay and grow. We hope this is the beginning of a long, rewarding, and mutually prosperous relationship.

The beginning compensation package for this position includes an annual salary of \$43,559.12, and full medical and dental coverage through our company's employee benefit plan. You will be classified as an exempt executive level employee. After 90 days you will be eligible for participation in GHI's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. After completion of our six-week orientation and training program for new executives, you will report directly to Holly Hamilton.

Please let me know if you have any questions. We look forward to hearing from you.

Sincerely,

Joe Johnson
Senior Vice-President
GHI Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

Appendix E

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

GHI would like to offer you the position of (assume this is a position you desire) in our organization. At GHI, we value each and every one of our employees. We are sure you will come to value the long-lasting relationship you develop with your colleagues. This is a company in which you can stay and grow. We hope this is the beginning of a long, rewarding, and mutually prosperous relationship.

The beginning compensation package for this position includes an annual salary of \$43,559.12, and full medical and dental coverage through our company's employee benefit plan. You will be classified as an exempt executive level employee. After 90 days you will be eligible for participation in GHI's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. After completion of our six-week orientation and training program for new executives, you will report directly to Holly Hamilton.

Please let me know if you have any questions. We look forward to hearing from you.

This letter does not constitute a contract. Our company adheres to a policy of employment at-will. Your employment and compensation can be terminated, with or without cause, and with or without notice, at any time.

Sincerely,

Joe Johnson
Senior Vice-President
GHI Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

Appendix F

Ms. / Mr. Applicant
Appalachian State University
Boone, NC, 28607

Dear Ms. / Mr. Applicant:

GHI would like to offer you the position of (assume this is a position you desire) in our organization. At GHI, we value each and every one of our employees.

The beginning compensation package for this position includes an annual salary of \$43,559.12, and full medical and dental coverage through our company's employee benefit plan. You will be classified as an exempt executive level employee. After 90 days you will be eligible for participation in GHI's 401 (k) program.

As we discussed during your interviews, you will be assigned to our corporate headquarters. After completion of our six-week orientation and training program for new executives, you will report directly to Holly Hamilton.

Please let me know if you have any questions. We look forward to hearing from you.

Sincerely,

Joe Johnson
Senior Vice-President
GHI Company, Inc.

If you accept our offer, please sign below and return one copy of this letter to my attention.

Signature

Date

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