

Changes in Employment Relationship after a Layoff:

A Longitudinal Study in Korea

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ABSTRACT

Layoff is often regarded by the affected employee as a serious violation of his or her psychological contracts, which is an unwritten agreement that individuals form based on their beliefs concerning the terms of an exchange agreement with their employer. The violation may trigger a reevaluation of the obligations that make up the contract, resulting in a change in the focus and scope of those obligations. Based on longitudinal data in Korea, I examined the changes in the psychological contract with their future employers after the layoffs from the layoff victim's viewpoint. While previous research showed that layoff survivors showed decreased commitment after layoffs (Brockner, 1988), the results indicate that, in building a new psychological contract with future employer, layoff victims increase their expectations of responsibilities from their subsequent employers in exchange for the higher commitment to them.

Keywords: Employment Relationship, Psychological Contract, Layoffs

**Changes in Employment Relationship after a Layoff:
A Longitudinal study of Psychological Contract in Korea**

This study explores the effect of layoffs on layoff victims' psychological contracts in Korea. The psychological contract is an unwritten agreement that an individual forms based on his or her beliefs concerning the terms of an exchange agreement with the employer. Layoffs are often regarded by affected employees, especially by layoff victims, as a serious violation of their contract. The violation may trigger a reevaluation of the obligations that make up the contract, resulting in a change in the focus and scope of those obligations in the subsequent contract.

While there has been growing academic interest in psychological contracts in recent years, there are still relatively few empirical studies to support theoretical discussions of the topic, particularly when it comes to the specific effects of downsizing and layoffs on psychological contracts. Psychological contracts are individually held beliefs about the mutual obligations of employers and employees (Rousseau, 1989). Research has shown that these highly subjective perceptions of employer-employee obligations do change over time (Robinson, et al., 1994; Rousseau & Mclean Parks, 1993). Guzzo et al. (1994) have described "triggers" that can lead to breaches in the psychological contract. Based on their discussion of triggers (usually a downturn in the firm's performance), a layoff is certainly a trigger that can affect psychological contracts.

Much has been written about survivor syndrome and the effects of layoffs on survivors (Brockner, 1988; Brockner, et al., 1994). However, the effects of broken psychological contracts on victims should not be overlooked. The individuals who have lost their jobs do not simply disappear. They remain in the work force and most will find jobs with other companies. In fact, many victims may be coveted by small- to middle-sized entrepreneurial ventures and niche firms

because of their skills, expertise, and contracts gained while working at larger (downsizing) firms. This study is designed to answer the question: Following a layoff, is there any change in a victim's psychological contract with their future employers?

BACKGROUND

Situation in Korea

Korea received emergency loans from the IMF and IBRD to save off bankruptcy in 1997. Even though the jobless rate reached 1.66 million or 7.9% in 1999, the highest since July 1982 when Korea started to record statistics, analysts said that it would rise further in the first half of the year to around 2 million (Kim, 1999). With the average period of joblessness in 1999 expected to be double 1998's, the Ministry of Finance and Economy and the Ministry of Labor agreed to expedite the establishment of social infrastructures for long-term unemployment. While the average jobless period in 1998 was four months long, it was expected to increase to 8 months in 1999. This trend was heightened as the government was attempting to expedite the restructuring of the five major (Hyundai, Samsung, Daewoo, LG and SK) conglomerates through their creditor banks. (Kim, 1999). In this rapidly changing workplace, the traditional idea of a lifelong job in Korea has been destroyed. Kim and Min (1999) suggested that the concept of loyalty and commitment will change from the sense of long-term behavioral attachment to the firm to a more short-term attachment to work projects and goals.

Similarly, some of the changes that have occurred in Japanese HRM practices are also likely to threaten the basis of trust between Japanese employers and employees. According to Morishima (1996), Japanese companies are faced with slow growth and fierce domestic and international competition. They are trying to modify their employment practices: One of the HRM practices new to Japanese companies is the pay-for-performance scheme. Some of the

recent changes occurring in Japanese HRM practices are likely to threaten the basis of trust between Japanese employers and employees. The recent changes in Korea provide an unusual opportunity to explore the changes in the psychological contract after victims experience layoff. Designing research in Korea and collecting data from Korean employees will help to capture the current changes in the concept of the employment relationship in Korea.

Negative Effects of a Layoff

Layoffs are usually a traumatic experience that may result in a number of different psychological responses from those involved. For example, commitment to organizations is reduced as both victims and survivors feel a sense of betrayal and mistrust (Yate, 1993); and managers who must cut staff often complain of guilt (Kirk, 1995) and burnout (Smith, 1997). Other resulting reactions from layoffs include increased anxiety and stress, concerns about the future, and in more severe cases, intense feelings of loss, grief, and depression (Clark & Koonce, 1995). All of these negative effects of layoffs have been a part of the destruction of existing psychological contracts between workers and their employers (Rousseau, 1989).

The psychological states of employees are important factors in determining their behavior and responses at work, and it is at least in part through the management of these states that organizational effectiveness can be achieved. Highly committed employees usually work harder and better than frustrated ones (Meyer, et al., 1989). An organization that alienates workers through its practices and develops a reputation as a company that doesn't care may be less effective and less efficient. It is also likely that a potentially traumatic experience such as layoff will change the way a person thinks and feels about his/her next job, and the expectations of employer responsibilities. Further, the psychological effects of experiencing a layoff can increase

stress, lower organizational commitment to future employers, and may have a lasting effect on individual work effort and performance.

Layoff survivors who had previously felt high commitment toward the organization may react much more negatively to a layoff than less committed employees. It has been shown that layoff survivors who had previously felt high commitment toward an institution, but subsequently perceived themselves as having been treated unfairly by the organization, exhibited more negative reactions (lower organizational commitment, decreased work effort, higher turnover intention) than those with lower levels of prior commitment (Brockner, 1988; Brockner, et al., 1992; Brockner, et al., 1994).

Singh (1998) found that layoff victims show less trust in people in general (Burack & Singh, 1995; Singh, 1998). He argues that layoff victims are in a situation analogous to being 'dumped' by a boyfriend or girlfriend (Singh, 1998). In each situation, the resulting effect may well go beyond the former relationship to affect future relationships and behaviors within those future relationships. Thus, it would be reasonable to expect the victim in each scenario to be more cautious and less likely to become highly committed to a future relationship. Because layoff victims have experienced the trauma of being released in the past, they may lack trust in others and will be less likely to fully commit to their new companies.

Since layoff victims will reduce their commitment to their future employment relationship, they may also expect less from their future employers in return. Thus, their expectation for both the employee's and employer's obligations should decrease after experiencing layoff. Involuntary job loss shakes the foundation of psychological contracts and causes distrust and skepticism about any organization's commitment to fulfill its obligations. Thus,

Hypothesis 1: After getting laid off, layoff victims will decrease their expectations for the employee's obligations in a subsequent employment relationship.

Hypothesis 2: After getting laid off, layoff victims will decrease their expectations for the employer's obligations in a subsequent employment relationship.

Pilot Study: Items of Psychological Contract in Korea

Subjects in the pilot study to develop psychological contract items in Korea were participants in an institutionalized vocational training program offered by the Korean Labor Department. A total of 32 subjects agreed to participate in semi-structured interviews conducted from June 28 to July 14, 2000. Since only those who applied for the unemployment insurance pay offered by the Korean government were eligible to participate in the vocational training program, all the subjects in this study had been laid off and were still searching for a new job. Eleven of the participants (34.4 percent) were female. The average age of the sample was 44.9 (SD = 4.4). Participants in the sample had been employed by their former organizations for an average of 4.7 years (SD = 1.5). The average unemployment period in this sample was 14.7 months (SD = 7.0). Major industries of their former jobs were manufacturing (50 percent), wholesale/retail (18.8 percent), constructing (12.5 percent), transportation (9.4 percent), and others (9.3 percent).

I contacted each potential participant on the site in the vocational training program. I introduced myself, briefly described the study, and asked if the individual would be willing to participate in an interview. At the beginning of the interview, I read a statement that assured participants that their contributions were entirely confidential, and that only summary or paraphrased responses would be reported in the study. The interview was semi-structured, and all questions were open-ended in order to allow respondents the opportunity to speak about the

issues that were most salient to them. Throughout the course of each interview, I took notes on participants' responses. At the close of the interview, I asked if the participants had any additional comments and then thanked the participants for their help. All interviews were transcribed and coded within 24 hours in order to capture the respondents' intended meaning.

The responses to 'What are the obligations or promises the former company offered to you?' and 'What are the obligations you had to do for the former company?' were analyzed to develop the psychological contract items. With the help of four graduate students in Seoul National University majoring in Organizational Psychology, 13 items for employer obligations and 15 items for employee obligations were selected (Table 1). These items were selected after all four research assistants agreed on whether each item was an employee or employer obligation when Korean workers try to build a relationship with their employer.

Insert Table 1 about here

Employer obligations, like 'fair treatment,' 'fair evaluation based not on age, education, sex, or seniority,' and 'opportunity to express individual opinion,' were not found with American samples. With regard to employee obligations, there were also obligations which haven't been found with American samples, like 'self improvement,' 'being prompt,' and 'obeying your superior.' These employer and employee obligations which were found only with Korean samples might reflect the effect of Korean collectivistic national culture on the process of contracting.

STUDY 1

Samples and Data Collection

A questionnaire was developed with psychological contract items elicited from the pilot study. This questionnaire was completed by 888 Korean subjects who had lost their jobs through downsizing. The questionnaire contained questions regarding their job and the layoff experience, obligations in their previous contract, and their expectation for their future job. The questionnaire was also completed by 100 Korean workers who have been employed in their current job since 1998 and who have had no layoff experience.

1) Workers on unemployment lists. Three unemployment lists (N = 7,264) were used (See Table 2). First were those who applied for the Job Searching Program in Korean Employment Security Centers within Seoul and Gyeong-Gi area in May 1998 (N = 3,150). Applicants for the Unemployment Insurance Pay offered by Korean Government were those who applied for the Unemployment Insurance offered by Korean Labor Department within Seoul and Kyung-Gi in Aug. 1998 (N = 3,320). Finally, applicants for the vocational training program provided by a Korean University were those who completed one of the vocational training programs for the highly educated (above college-educated) unemployed provided by the University in Seoul from 1998 to 1999 (N = 794). Workers on these lists had all experienced layoffs, although some of them were already reemployed at the time they were contacted for participation in this study. Two types of questionnaires, one for unemployed workers and other for reemployed workers, were mailed and collected from Aug. 7 to Aug. 28, 2000.

Potential subjects on the lists were first contacted by phone. The interviewer introduced himself or herself, briefly described the study, and asked if the individual would be willing to participate in the survey study. At the beginning of the phone interview, the interviewer read a statement that assured subjects that their contributions were entirely confidential, and that only summary or paraphrased responses would be reported in the study. After getting the subjects'

approval, the job status of each subject was checked as unemployed or as reemployed, and an ID number was assigned. Among 7,264 workers on the lists, 5,666 workers were available and contacted by phone. 1,125 of them agreed to participate in the survey study. Among those who agreed to participate, 582 workers were still unemployed and 543 workers were already reemployed when they were contacted by a researcher. One week after mailing the questionnaire, a follow-up call to each subject was made to raise the response rate of the survey. The response rate of the mailed questionnaires was 33.3 percent (N = 567, Table 2). Among 567 who mailed back, 62 were deleted, because of missing data, insincerity in answering, not qualified as sample, etc. The final sample size based on the unemployment lists was therefore 505.

Insert Table 2 about here

2) Participants in vocational training programs. Three institutes that were offering vocational training programs to unemployed workers approved data collection from these participant: (1) YWCA: Those who are attending one of the vocational training programs (computer programmer, cookery, and Korean attire) for unemployed females provided by the Korean YWCA in Seoul (N = 172), (2) Korea Future Management Institute: Those who are attending one of the vocational training programs (AICPA and English) for the highly-educated (above college-educated) unemployed provided by Korea Future Management Institute in Seoul (N = 290), and (3) Seong-Gyul University: Those who are attending a vocational training program (computer programmer) for the unemployed provided by Seong-Gyul University in Kyung-Gi (N = 93).

In all, 383 unemployed workers who participated in one of three vocational programs completed the questionnaires from Aug. 7 to Aug. 28, 2000 (Table 3).

Insert Table 3 about here

The questionnaires were distributed to this sample on the site of each training class. Before distributing the questionnaires, the purpose of the survey was briefly described, and subjects were assured that their contributions were entirely confidential, and that only summary or paraphrased responses would be reported in the study. 555 questionnaires were distributed and 383 questionnaires were collected. The response rate was 69 percent (Table 3). ID numbers were assigned to those who completed the questionnaires and those who were willing to participate in the follow-up study were asked to write their contact information on the questionnaire.

3) Employees of no layoff experience (Control group). As a control group, 100 employed workers in the Seoul district area, who had been employed in their current job since 1998 and who had no layoff experience, completed the questionnaires. The year of 1998 was selected for two reasons. The unemployment lists used in this study were made in 1998, and 1998 is the year when the Korean government received emergency loans from the IMF and IBRD to save off bankruptcy. A series of massive layoffs had been occurring for at least two years since then.

Workers were randomly contacted on the streets by four research assistants (from Hankook Research Inc.) in the Gang-Nam and Myung-Dong areas in Seoul, Korea. These two areas were selected since these are the most office-concentrated areas in Seoul. All of five Korean Conglomerates have at least one office in either of two areas. The workers were first asked whether they currently had a job or not and whether they had experienced a layoff since 1998. Only those who currently had a job and had no layoff experience were asked to participate in the survey, and after getting their approval, they were asked to fill out the questionnaire. ID numbers were assigned to those who completed the questionnaires and those who were willing to

participate in a follow-up study were also asked to write their contact information on the questionnaire. The interviews on the street were continued until data had been obtained from 100 employed workers with no layoff experience since 1998 (Aug. 10 – 24, 2000).

In sum, completed questionnaires were received from 988 subjects (Table 4).

Insert Table 4 about here

Of the 988 subjects, 44 percent (N = 436) were female. The mean age was 34.31 (SD = 8.94). The average tenure with their last job for those who had layoff experience was 4.43 years (SD = 6.00, N = 888), and the average tenure for those who had no layoff experience was 7.89 years (SD = 5.37, N = 100). The average of the unemployed period was 15.10 months (SD = 15.64).

The subjects were classified into one of three groups, according to their current job status and layoff experience (Table 5).

Insert Table 5 about here

The first group (N = 100) is ‘Employed,’ those who have had no layoff experience since 1998. The second group (N = 244) is ‘Reemployed,’ those who had been laid off from their previous jobs, but found their current jobs. The third group (N = 644) is ‘Unemployed,’ those who had been laid off and were still looking for a new job. In this study, hypotheses 1 and 2 were tested by a series of group comparisons between ‘Employed’ and ‘Reemployed’ on the obligations at their current jobs. The ‘Employed’ group was used as a control group in this group comparison. Both the ‘Employed’ group and the ‘Reemployed’ group had their current jobs, but only the ‘Reemployed’ group had layoff experience.

Measures and Procedure

The obligation items developed in the Pilot Study (Table 1) were used to measure the contents of the psychological contract. Employer obligations were assessed by asking subjects to what extent they believed that the particular employer was obligated to provide them with the 13 obligation items. A seven-point (1 = 'completely not obligated' to 7 = 'completely obligated') scale accompanied these items. Subjects were asked to rate each of the 13 items on the seven-point scale. Employee obligations were assessed using the same 1 to 7 scale. Subjects indicated the extent to which they believed that they were obligated to provide the particular employer with 15 obligation items. Overall obligation scales were created by taking average scores on the items: Overall employer obligation (13 items, Cronbach's $\alpha = .95$) and Overall employee obligation (15 items, Cronbach's $\alpha = .87$).

According to the subject's current job status, three types of obligations were measured: (1) Obligations in the previous job, (2) Obligations in the current job, and (3) Expectation of obligations in a future job. For example, the expectation of obligations in a future job was measured by asking the subjects to indicate the extent to which they believed that the future employer of their next job would be obligated to provide them with the 13 obligation employer items, and the extent to which they believed that they would be obligated to provide their future employer with the 15 employee obligation items.

In addition to the obligation measures, subjects were asked to supply information about their gender, age, education level, industry of previous and current job, occupation of previous and current job, unionization, tenure of previous and current job, and income of previous and current job. Rousseau (1995) proposed that to cope with the breach of a psychological contract, individuals need remedial satisfaction of losses to the contract through the substitution of

outcomes. However, the perception of this substitution may differ among individuals, and therefore responses to a layoff may reveal widely contrasting individual tendencies. Gender, age, and educational level are included in the data analysis processes, since these control variables could control out the possible effects of individual differences.

“Environment shapes social contracts, constraining their terms and coloring their interpretation” (Rousseau, 1995). Industries and occupation have their own cultural beliefs and values that shape employment relations within particular sectors. Information on industry, occupation, and unionization is included to control the environmental effects on individual psychological contracts.

Psychological contracts are also affected by previous job experience (Robinson & Morrison, 2000; Robinson & Rousseau, 1994; Rousseau, 1990). Robinson and Rousseau (1994) found that 55 percent of their sample of managers perceived that their organizations had failed to fulfilled one or more promised obligations in the first two years of the employment relationship and that they changed the contents of their psychological contracts. Therefore, previous psychological contract, tenure and income are included to control for previous job experience.

Results

Hypotheses 1 and 2 were tested by group comparisons between the reemployed group (N = 244) and the control group (N = 100). Hypotheses 1 and 2 pertain to the effects of layoffs, whether a layoff experience would decrease or increase expectations in an employment relationship in terms of employers' obligations as well as their own. The measures of obligations in one's current job from both reemployed and control groups were used to test these hypotheses. Comparing the obligations in current psychological contracts between the two groups might exhibit differences due to the layoff experience.

Analyses of covariance (ANCOVAs) were computed for both employee and employer obligations in one's current job, comparing the reemployed group with the control group (Table 6 and Table 7). The control variables, such as sex, age in 2000, education, industry (manufacturing, construction, banking, and others), occupation (office worker and others), union, tenure, and income¹ were included in ANCOVAs as covariates.²

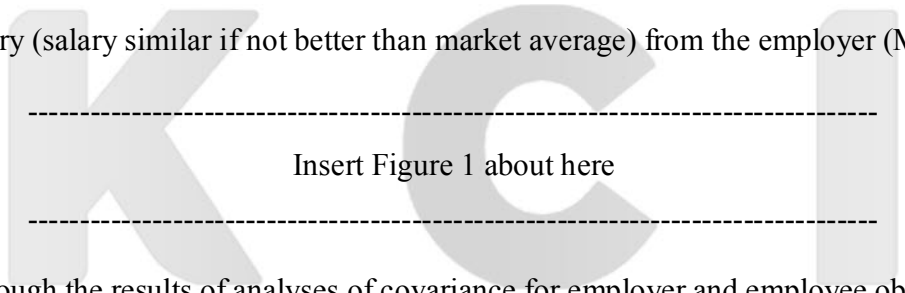
Insert Table 6 and Table 7 about here

Hypothesis 1 proposed that, after getting laid off, layoff victims would decrease their expectations for their own obligations on subsequent jobs. Support for this hypothesis would occur if there were a significant difference between the reemployed group and the control group and if the means of obligation measures for the reemployed group are lower than those for the control group. The results of analyses of covariance are displayed in Table 6. There were significant differences between the two groups on overall obligation perception. The overall employee obligation showed a significant difference between the reemployed group ($M = 5.33$) and the control group ($M = 4.86$) ($F = 21.69$, $df = 1, 294$, $p < .01$) (see Table 6). There were also significant differences on most of the individual items of employer obligation. Only two individual items failed to reach the statistical significance (3. Confidential, $F = 2.21$, $df = 1, 304$, $p < .14$, and 10. Improvement, $F = 3.1$, $df = 1, 304$, $p < .08$). However, each of the significant differences was in the opposite direction from that predicted by hypothesis 1. Those who experienced a layoff perceived greater employee obligations than those of the control group.

Hypothesis 2 proposed that, after getting laid off, layoff victims would decrease their expectations for employer's obligations on their subsequent jobs. Support for this hypothesis would occur if there were significant differences between the reemployed group and the control

group and if the means of obligation measures for the reemployed group are lower than those for the control group. As shown in Table 7, the results showed that there were no significant differences between the two groups on overall obligation perception, nor most individual items of employer obligation. The overall employer obligation showed no significant difference between the reemployed group ($M = 4.16$) and the control group ($M = 4.19$) ($F = .01, p = n.s.$) (see Table 7). This test implies that a layoff experience made no difference in perceived obligations to a subsequent employer, compared to those who had no layoff experience. Therefore, hypothesis 2 was not supported by the results.

There was, however, a significant difference with one employer obligation item. Compared to the control group ($M = 4.44$), the reemployed group had lower expectation for average salary (salary similar if not better than market average) from the employer ($M = 3.94$).



Although the results of analyses of covariance for employer and employee obligations did not support hypotheses 1 and 2, the results were nonetheless intriguing. As Figure 1 illustrates, the results indicate that layoff victims increased expectations of their own obligations in subsequent psychological contracts, while the expectation of employer obligations showed no differences from those with no layoff experience.

Hypothesis 1 predicted that layoff victims would be hesitant to fully commit to new employers and have difficulty trusting subsequent employers in future psychological contracts. They would try to find a new job with lower obligations and responsibilities. However, the results showed the opposite to be true. Layoff victims actually increased their expectations of their own obligations in their subsequent contracts.

STUDY 2

Study 1 could well be limited by its retrospective measures. Respondents were asked to describe their psychological contracts at a time before they got their current jobs. Perceptions of their prior contracts might therefore have been biased by their experience with their current jobs (see Howard (1980) for discussion of response style bias and memory distortion). Since downsizing and subsequent job loss is often perceived as a difficult and highly emotional experience (Leana & Feldman, 1995), it is possible that respondents' memory was distorted in an effort to avoid thinking about a negative or painful experience after getting a new job. Since several years had passed since their job losses, it may have been difficult for respondents to accurately recall the nature of their previous contracts, especially as they have become socialized into their current jobs. Study 2 was designed as a longitudinal study by tracking the same sample as Study 1. With this longitudinal data set, any changes which occurred in victims' psychological contracts after a layoff could be examined statistically.

Samples and Data Collection

I administrated a second survey four months later to capture the changes that had occurred in the psychological contract after the subjects had experienced a layoff. The four-month period was set up based on the recommendation from three replacement specialists, two in Korean Job Security and one in Vocational Training Program by a Korean university. The four-month period was recommended because many the unemployed workers could not be followed and could be lost with a long interval and also because at least four months could be needed to get a sufficient number of subjects who were unemployed in the first survey, but who found a new job by the time of the second survey.

Among the 988 subjects in Study 1, 473 subjects were available four months later for contact with the phone numbers in the lists or the numbers that they left in Study 1. 292 completed the questionnaire in Study 2 for a 61.7 percent return rate (see Table 8). After getting approval from the subjects, the job status of each was checked as unemployed or as employed. The same ID numbers assigned in Study 1 were assigned again to each subject. After finding out their current job status (unemployed or employed), the correct type of questionnaire was mailed to them according to their current job status.

Insert Table 8 about here

Among 473 subjects contacted by phone, 292 subjects completed and returned the questionnaires (response rate = 32.9 percent). Among 292 subjects, 110 subjects reported a change in their job status during the 4-month period from the first survey to the follow-up (i.e. from unemployed to employed, N= 107, and from reemployed to unemployed, N= 3). Among the reemployed layoff victims in Study 1 (N = 68), 3 subjects had already lost their jobs by the time of Study 2. 84 subjects of the unemployed group in Study 1 (N = 191) were still searching for a new job (See Table 9). Thus, the subjects in Study 2 were classified into one of four groups, according to their job status in Study 1 and in Study 2: (1) 'Reemployed – Employed' group, (2) 'Reemployed – Unemployed' group, (3) 'Unemployed – Employed' group, and (4) 'Unemployed – Unemployed' group. Of the 292 subjects, 43 percent (N = 122) were female and 30 percent (N = 87) were unemployed when they completed the follow-up questionnaire. The mean age was 36.20 (SD = 9.46).

Insert Table 9 about here

Measures and Procedure

Obligation measures were included in the questionnaire according to the subject's job experience (see Table 10).

Insert Table 10 about here

The contract changes experienced by an individual layoff victim can be explored by examining the difference in obligation perceptions between one's current and previous job. A series of paired sample t tests were conducted. Expectations for a future job were also included in the data analysis to describe changes in one's psychological contract before getting a new job. The 'Reemployed – Employed' group and the 'Unemployed – Employed' group reported their obligation perceptions both for their previous jobs (in the first survey) and for their current jobs (in the follow-up survey) (see Table 10). In the data analysis, the 'Unemployed – Employed' group (N = 107) was used, since the changes which had occurred during the unemployment period before getting a new job could be examined by analyzing the expectations of obligations for a future job.

Results

For the longitudinal data analyses, the 'Unemployed – Employed' group (N = 107) was used. A series of paired-sample t-tests were conducted between obligation perceptions for the previous job, the future job, and the current job (Table 11 and Table 12).⁴

Insert Table 11 and Table 12 about here

Results showed that subjects' expectations and perceptions of employee obligations followed a pattern very similar to that of employer obligations. Expectations of their own

obligations in a future job were increased after a layoff (from $M = 5.14$, $SD = .87$ to $M = 5.71$, $SD = .56$). And, once again, this high expectation for the future contract was decreased after getting a new job ($M = 5.25$, $SD = .78$). However, the perception of employee obligations showed no significant difference, compared to the perception of employee obligations in the previous job ($t = -.99$, $p = n.s.$) (see Table 12 for reported mean and standard deviation scores).

With regard to employer obligations, subjects actually expected greater obligations ($M = 5.84$, $SD = .77$) after a layoff than in their previous contracts ($M = 3.33$, $SD = 1.09$). After getting a new job, their expectations of employer obligations decreased ($M = 3.67$, $SD = .97$), yet the perception of these obligations was still higher than that for their previous contract ($t = -2.04$, $p < .05$).

Insert Figure 2 about here

The increase in obligations after experiencing a layoff and the decrease after getting a new job can be illustrated in Figure 2. This pattern was in the opposite direction from that predicted in hypotheses 1 and 2. Whereas hypotheses 1 and 2 predicted a decrease in expectations for both employee and employer obligations after getting laid off, expectations actually increased after a layoff experience. Although the expectations were decreased after getting a new job, the expectations of employer obligations were still higher than those for the previous job.

DISCUSSION

Changes in psychological contract after a layoff

Hypotheses 1 and 2 proposed that since people likely consider layoffs to be a traumatic, trust-shaking experience, they would try to find a new job with lower obligations and responsibilities. However, the results in Study 1 and Study 2 showed that the opposite was true.

In Study 1, the results of group comparisons indicated that layoff victims actually showed higher expectations for their own obligations in subsequent contracts, compared to a control group. In Study 2, the results also showed that, after a layoff, the victims actually increased their expectations for both their future employers' obligations and their own obligations in their future jobs. These increased expectations were reduced after the victims got a new job, but the employer obligations in the subsequent job were still higher than the employer obligations in the previous job.

The pattern of changes in the dimensions found in Study 1 and Study 2 should be contrasted with the results of Robinson et al (1994). They found that employees' perceived obligations to their employers declined over time, while the obligations they attributed to their employers increased. Their explanation was that self-serving biases often lead individuals to overestimate their own contributions and underestimate the costs incurred by exchange partners. Therefore, employees believe that they owe less while their employer owes more, in order to maintain equity between contributions and rewards. However, their explanation seems to be true only in an employee's relationship with one organization (i.e. psychological contract change within one organization). Layoff victims who need to build new relationships with subsequent organizations show a distinctly different pattern of change over time.

Increased expectations after layoff: While job loss is typically viewed as having only negative effects, some have argued that job loss can be framed in such a way as to have positive effects for individuals in certain situations. Layoff victims may view job loss as an 'opportunity' and a chance to change career and life (Latack & Dozier, 1986). Although job loss may be associated with stress and disruption, stressful life events like a layoff can lead to growth because they push people to consider new alternatives, to develop new competencies, and to restructure

their lives in positive directions. Layoff victims don't only react to their layoff experiences negatively with anger and outrage, but can also try to 'get on with it' and search for a better job. Although they consider their layoff experiences as traumatic, they try to prepare themselves for another job and expect better treatment from their next employer. During the interviews in my pilot study, the participants commonly mentioned, "this is the first time I considered myself and my career." "Now I know what I can do or not do." "I'd like to find a new job that could provide me with some opportunities to display my abilities fully, regardless of the salary."

It should be noted that after a layoff, expectations for a future employers' obligations were increased along with the expectations for one's own obligations. This fact implies that layoff victims do not only focus on finding a new job by showing their own increased commitment to future employment relationships, but are also trying to find a job that will treat them better than their previous job.

In studies that have examined the subsequent careers of layoff victims, there is substantial evidence of underemployment (Kaufman, 1982; Newman, 1988). There are sizable numbers of layoff victims who find new jobs, but in positions that pay considerably less and require much less in the way of education and skill. In contrast, the results in Study 1 and Study 2 showed that, although expectations for employer and employee obligations were decreased after getting a new job, they were still higher than in their previous job. In Study 1, compared to the control group, the reemployed group showed higher employee obligations in the subsequent job, and in Study 2, the employer obligations in the subsequent job were still higher than those in the previous job. Therefore, perhaps as Jahoda (1982) suggested, even jobs that do not provide adequate financial compensation to meet individuals' existence needs still fulfill important relatedness and growth needs that cannot be fulfilled in other ways.

Decreased expectations after getting a new job: As Wanous (1992) suggested, excess expectations can be a common problem when anticipating a new job. These expectations can be quickly dashed once the employee starts employment. My data on employer expectations fit this pattern. Thus, just like the literature on realistic job previews, it may be necessary for employees to have a good understanding of the job prior to hire so as to bridge the gap between expectations and reality.

Comparison between employer and employee obligations in the subsequent job: The results in Study 2 indicated that employee obligations were higher than the employer obligations in the psychological contracts for their subsequent jobs (as illustrated in Figure 2). This fact suggests, as Blau (1962) argued, that layoff victims attempt to create a positive imbalance in their exchange relationships in order to avoid becoming overly indebted to their new employers.

Contributions and Future Study

This study contributes to the growing body of knowledge about the creation, development, and violation of psychological contracts. Previous studies have utilized samples of graduate students and alumni with relatively short tenure and whose perceptions of contract violation have been based on recruitment promises and their experiences on the job (Robinson et al., 1994; Robinson & Rousseau, 1994). This study used an extensive variety of professionals and managers who have experienced involuntary job loss, considered by many as the ultimate contract violation. It expands on previous research and presents an opportunity to compare the results with studies that involved a lower degree of violation and a narrower range of subjects.

In particular, this study followed the layoff victims after they experienced layoffs. Compared to research on the survivors of layoff (Brockner et al., 1992), layoff victims have been examined by few studies, mainly because the data is relatively difficult to collect from such a sample. Prior research found that layoff survivors exhibited negative reactions such as lower

organizational commitment, decreased work effort, higher turnover intention (Brockner, 1988; Brockner, et al., 1992; Brockner, et al., 1994). Victims of layoffs have different attitudes and expectations because of their experience. In this study, victims showed an increased expectation for their future jobs after layoff, as well as higher expectations in their subsequent jobs, compared to expectations for their previous jobs.

This study with its longitudinal design proved helpful in understanding the type and extent of changes that may occur in a psychological contract throughout one's career. Most of the research on psychological contract has dealt with employee's psychological expectation with one organization or one employer (Rousseau, 1990; Robinson & Rousseau, 1994; Robinson et al., 1994; Morrison & Robinson, 1997; Robinson & Morrison, 2000). As Wanous (1992) suggested, newcomers' previous experience before getting a job can be an important characteristics that differentiates newcomers and determine their adjustment in the organization. As boundaryless careers become a reality, it is important to understand how psychological contracts change as individuals move in and out of different types of companies, industries and employment arrangements.

One limitation of this study was the fact that obligations of the previous job were measured after the subjects were laid off. It is possible that respondents' memory was distorted in an effort to avoid thinking about a negative or painful experience like a layoff. The low obligation scores for the previous job may have reflected this memory distortion after the victims left their previous job. Therefore, data collection on the psychological contract before any layoff has occurred is needed to describe and explore more fully the changes in psychological contracts over time.

Most of the research on job loss has taken reemployment as its end point. When layoff victims get new jobs, they typically cease to be the focus of further research. Little research addresses the quality of reemployment. Studies on the subsequent careers of layoff victims have reported substantial evidence of underemployment (Kaufman, 1982; Newman, 1988). However, the psychological effect of moving to a new job that is perceived as inferior in wages, benefits and skill utilization after a layoff has received only anecdotal attention (Leana & Feldman, 1995). Further investigation should examine the role of changes in the psychological contract on the subsequent job after a layoff. Shore and Tetrick (1994) assert that the development of an employee's psychological contract is a result of the interaction of the employee and his or her organization's environment. It may thus be useful to explore the interaction of increased expectations for a future job (found by this study) with underemployment conditions found in a subsequent job. At least some of the work should concentrate on the employee's psychological adjustment as well as work performance in the new employment setting.

A major question is whether the results of this study with a Korean sample can be generalized to other nations and cultures. This study was not a cross-cultural comparison. Comparison groups from other cultures need to demonstrate that the results of this study can be generalized. These results may only reflect recent social phenomena associated with the Korean economic crisis. In Korea, layoff victims' increased expectations for their future jobs may reflect the efforts that Korean society has made to overcome the national economic crisis. Massive layoffs going on in Korean society may have led individuals to perceive his or her layoff experience not as an individualistic issue, but as a social problem that Korean society has to overcome together.

Psychological contracts are changing not only in the United States (McLean Parks & Kidder, 1994) but also in Korea and other countries (Sparrow, 1998). Employment contracts in Korea have had many of the important characteristics of relational contracts: Commitment and loyalty to organizations has been emphasized; socializing with colleagues has been considered to be a required part of work; the most common types of employment contracts have been those that do not specify contract length; contract specifics have rarely been spelled out. These characteristics may have given rise to the now famous Korean (similar with Japanese) work style in which employees are highly committed to their work and organization, flexible to accept any changes, and continuously striving for improvement. However, the circumstances that helped create formal arrangements for managing core workers in large Korean companies have changed recently. Companies, faced with slow growth, fierce domestic and international competition, bloated bureaucracies and high costs of human and capital investment, have resorted to a number of cost-cutting measures. An extremely strong won and the bursting of the so called 'bubble economy' of the 1990s have also exacerbated Korean employers' attacks on existing management practice. As employment strategies change in order to adapt to future economic needs of organizations, it is important for research on psychological contracts to also investigate changes in contract terms. If these changes are not managed properly, Korean companies will be in danger of losing the psychological contract that has enabled them to develop and maintain a workforce that is highly committed both to existing organizational goals and to new challenges.

ENDNOTES

1. Industry, occupation, union, tenure, and income at the previous job were included for the reemployed workers. Industry, occupation, union, tenure, and income at the current job were included for the control group.
2. Since SPSS (10.0 for Window) has a limit on the number of covariates in ANCOVAs as 10, three industry variables out of 18 and one occupation variable out of 11 were included based on the sample size.
3. Perception of previous obligations and expectations of obligations in future job were measured by the same survey questionnaire in Phase 1. Perceptions for 'expected future job' can be different from the actual future job in this analysis. However, the expectations for a future job were included on an exploratory base in order to describe changes before getting a new job. In a sense, this analysis is a 'semi-longitudinal test.' Pair 3 in Table 9 is a 'real' comparison between the previous and current job.
4. Paired sample test showed a significant difference between overall employer obligation ($M = 3.67$, $SD = .97$) and overall employee obligation ($M = 5.25$, $SD = .78$) in the subsequent job ($t = -14.25$, $p < .01$).

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Table 1. Employer and Employee Obligations in Psychological Contracts of Koreans

Employer Obligations	Employee Obligations
1. Salary similar if not better than market average	1. Working extra hours if necessary
2. Salary according to performance/ability	2. Advance notice before taking a job elsewhere
3. Promotion according to performance/ability	3. Protecting company secrets/information
4. Various educational/training programs	4. Loyalty to the company
5. Opportunity for individual career development	5. Not helping out company's competitors
6. Long-term job security	6. Working for the company for the minimum term
7. Benefits/perquisites (Children scholarship, housing, medical insurance, etc.)	7. Keeping good relationship with your superior/coworker
8. Proper workload with clear responsibility	8. Helping out new coworker (i.e. your successor, education and training of entry level person, etc.)
9. Discretionary power at the job	9. Completing your duties and responsibilities
10. Fair treatment / Respect	10. Self improvement (i.e. learning new foreign language, computer training, etc.)
11. Clear cut working hours with vacation time or personal day off	11. Being prompt / keeping normal business hours
12. Fair evaluation based not on age, education, sex, or seniority	12. Cooperating with new company policies/procedures
13. Opportunity to express individual opinion/ideas	13. Participating in activities not related to your job and responsibility (i.e. irregular meeting, etc.)
	14. Provide new/creative ideas to improve current business
	15. Obeying your superior

Table 2. Results of Data Collection from Workers on Unemployment Lists

	List of Applicants for the Job Searching Program in Korean Job Security Center (1998.8)	List of Applicants for the Unemployment Insurance Pay offered by Korean Government (1998.5)	List of Applicants for the Vocational Training Program provided by Yeonsei University (1998-1999)	Total
Total in List	3150	3320	794	7264
Called by Phone	2385	2773	508	5666
Unable to contact among 'Called by Phone'	1887	1716	359	3962
Available	498	1057	149	1704
Refusal	214	322	43	579
Approval to participate	284	735	106	1125
Completion	127	371	69	567 ^a
Response rate (Completion/Available)	26.5%	35.1%	46.3%	33.3%

^a Among 567 who mailed back, delete 62 because of lots of missing data, insincerity in answering, not qualified as sample, etc.. Final sample size is 505.

Table 3. Results of Data Collection from Participants in Vocational Programs

	YWCA	Korea Future Management Institute	Seong-Gyul University	Total
Distributed	172	290	93	555
Collected	110	191	82	383
Response Rate	64%	66%	88%	69%

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Table 4. Sample Description

Data Source	Job Status	Total	Sex		Age	Tenure (years)		Job searching period (months)	Income (Won*1,000 per month)	
			M	F		Previous Job	Current Job		Previous Job	Current Job
Unemployment lists	Unemployed	261	132	129	36.07 (9.83) N=261	5.24 (6.62) N=212		19.84 (15.01) N=216	152.92 (97.93) N=212	
	Re-employed	244	174	70	33.75 (9.21) N=244	3.41 (5.72) N=227	.86 (.86) N=241	10.65 (12.63) N=226	147.00 (103.59) N=229	137.88 (67.27) N=240
	Total	505	306	199	34.95 (9.60) N=505	5.1 (7.4) N=439	.86 (.86) N=241	15.14 (14.57) N=442	149.85 (100.84) N=441	137.88 (67.27) N=240
Participants in vocational training program	Unemployed	383	166	217	33.19 (8.34) N=377	4.64 (5.67) N=287		15.05 (17.17) N=288	145.43 (86.57) N=299	
Employees of no layoff experience		100	78	22	35.30 (7.16) N=100		7.89 (5.37) N=98			198.63 (77.06) N=100
Total		988	550	438	34.31 (8.94) N=982	4.43 (5.99) N=726	2.86 (4.32) N=339	15.10 (15.64) N=730	148.06 (95.29) N=740	155.75 (75.45) N=340

Note: Numbers in parentheses represent Standard Deviation.

Table 5. Sample Classification and Job Experience

Sample Source	Total	Current Job Status	Job Experience		
			Previous Job	Layoff	Current Job
Employees with no layoff experience	100	Employed	No	No	Yes
Workers on unemployment lists	Reemployed	Reemployed	Yes	Yes	Yes
	Unemployed				
Participants in vocational training program	Unemployed	Unemployed	Yes	Yes	No
Total	988				



Table 6. ANCOVA for Employee Obligations by Reemployed vs. Control Group ^a

Variables		N	Mean	SD	F	p	
Employee Obligation Items	Overall employee obligation	Reemployed group	209	5.33	.84	21.69	.00
		Control group	97	4.86	.89		
	1. Extra hour	Reemployed group	219	5.24	1.54	16.30	.00
		Control group	98	4.38	1.37		
	2. Advanced notice	Reemployed group	218	5.54	1.27	12.61	.00
		Control group	98	4.91	1.36		
	3. Confidential	Reemployed group	218	5.64	1.33	2.21	.14
		Control group	98	5.36	1.22		
	4. Loyalty	Reemployed group	219	5.22	1.23	6.98	.01
		Control group	98	4.89	1.28		
	5. Competitor	Reemployed group	213	4.84	1.49	6.18	.01
		Control group	98	4.43	1.33		
	6. Min. term	Reemployed group	217	5.28	1.36	7.60	.01
		Control group	98	4.74	1.41		
	7. Relationship	Reemployed group	218	5.82	1.06	15.28	.00
		Control group	98	5.34	1.11		
	8. Helping	Reemployed group	218	5.50	1.16	5.65	.02
		Control group	97	5.23	1.17		
	9. Duties	Reemployed group	219	5.96	.97	11.49	.00
		Control group	98	5.49	1.19		
	10. Improvement	Reemployed group	218	4.79	1.70	3.10	.08
		Control group	98	4.62	1.56		
	11. Prompt	Reemployed group	219	5.50	1.55	5.70	.02
		Control group	98	5.08	1.28		
	12. Coop. policy	Reemployed group	218	5.39	1.29	7.73	.01
		Control group	98	5.00	1.24		
	13. Participation	Reemployed group	219	4.96	1.46	12.19	.00
		Control group	98	4.40	1.35		
	14. Idea	Reemployed group	218	5.06	1.32	10.83	.00
		Control group	98	4.60	1.32		
15. Obey	Reemployed group	219	5.14	1.20	13.43	.00	
	Control group	98	4.65	1.32			

^a: Covariates – Sex, age (2000), education, industry (manufacturing, construction, banking, and others), occupation (office worker and others), union, tenure, and income. Covariates entered first.

Table 7. ANCOVA for Employer Obligations by Reemployed vs. Control Group ^a

Variables		N	Mean	SD	F	p	
Overall employer obligation	Reemployed group	220	4.16	1.25	.01	.93	
	Control group	97	4.19	1.05			
Employer Obligation items	1. Average salary	Reemployed group	221	3.94	1.75	5.43	.02
		Control group	98	4.44	1.44		
	2. Performance-based salary	Reemployed group	221	3.99	1.80	.57	.45
		Control group	98	4.09	1.47		
	3. Promotion	Reemployed group	221	3.95	1.73	.35	.55
		Control group	98	4.14	1.36		
	4. Training	Reemployed group	221	3.57	1.88	.32	.58
		Control group	98	3.54	1.71		
	5. Career development	Reemployed group	220	4.06	1.70	2.28	.13
		Control group	98	3.78	1.52		
	6. Job security	Reemployed group	221	4.38	1.74	.01	.92
		Control group	98	4.30	1.61		
	7. Perquisite	Reemployed group	221	3.54	1.93	1.52	.22
Control group		98	4.03	1.70			
8. Workload	Reemployed group	221	4.14	1.74	.19	.66	
	Control group	98	4.10	1.40			
9. Discretion	Reemployed group	220	4.48	1.63	2.78	.10	
	Control group	98	4.21	1.34			
10. Respect	Reemployed group	221	4.81	1.49	3.32	.07	
	Control group	98	4.47	1.20			
11. Working hour	Reemployed group	221	4.11	1.89	1.73	.19	
	Control group	98	4.50	1.55			
12. Evaluation	Reemployed group	221	4.42	1.72	.07	.79	
	Control group	98	4.43	1.31			
13. Participation	Reemployed group	221	4.70	1.54	3.59	.06	
	Control group	98	4.33	1.24			

^a: Covariates – Sex, age (2000), education, industry (manufacturing, construction, banking, and others), occupation (office worker and others), union, tenure, and income. Covariates entered first.

Table 8. Results of Data Collection in Study 2

Data Source In Phase1	Job Status In Study 1	Total In Study 1	Job Status In Study 1	Total In Study 1	Contact	Job Status In Study 2	Response	Response Rates ^a
Workers on Unemployment List	Reemployed	244	Reemployed	244	126	Employed	65	27.9%
						Unemployed	3	
						Total	68	
Participants in vocational training program	Unemployed	261	Unemployed	644	247	Employed	107	29.7%
						Unemployed	84	
						Total	191	
Employees of no layoff experience	Employed	100	Employed	100	100	Employed	33	33%
				Total	988	473	292	32.9%

^a: Total in Phase 1 / Response



Table 9. Sample Description in Study 2

Job Status In Study 1	Job Status In Study 2	Group Size	Sex		Age
			Male	Female	
Control Group	Employed	33	27	6	35.39 (6.85)
Reemployed	Employed	65	45	20	34.00 (9.37)
	Unemployed	3	1	2	32.33 (7.51)
Unemployed	Employed	107	64	43	36.33 (9.48)
	Unemployed	84	33	51	38.23 (10.16)
Total		292	170	122	36.20 (9.46)

Note: Numbers in parentheses represent Standard Deviation.

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Table 10. Measurement Design for Obligation Variables

Job status in Phase 1	Survey in Phase 1			Job status in Phase 2	Follow-up Survey in Phase 2	
	Obligations In Previous Job	Obligations in Current Job	Obligations in Future Job		Obligations in Current Job	Obligations in Future Job
	Reemployed	X	X			Employed
				Unemployed		X
Unemployed	X		X	Employed	X	
				Unemployed		X

Note: X means 'included in the questionnaire'

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Table 11. Results of paired-sample tests

Paired Differences		Overall Employee Obligation	Overall Employer Obligation
Pair 1. Previous Job (First survey) Vs. Future Job (First survey)	Mean ^a	-0.57	-2.51
	Std. Deviation	0.63	1.37
	t	-8.03	-16.63
	df	78	81
	Sig. (2-tailed)	0.00	0.00
Pair 2. Future Job (First survey) Vs. Current Job (Follow-up survey)	Mean ^b	0.45	2.16
	Std. Deviation	0.85	1.22
	t	4.98	17.70
	df	78	81
	Sig. (2-tailed)	0.00	0.00
Pair 3. Previous Job (First survey) Vs. Current Job (Follow-up survey)	Mean ^c	-0.12	-0.35
	Std. Deviation	1.05	1.53
	t	-0.99	-2.04
	df	78	81
	Sig. (2-tailed)	0.32	0.04

Bold: $p < .05$, $N = 107$

^a: Mean of difference (Previous Job – Future Job)

^b: Mean of difference (Future Job – Current Job)

^c: Mean of difference (Previous Job – Current job)

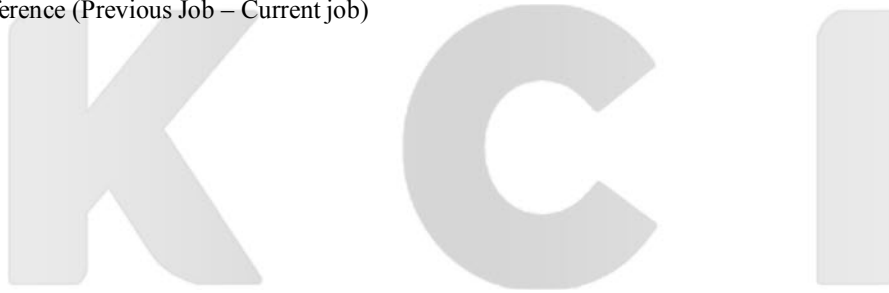


Table 12. Means and Standard Deviations of Overall Employee and Employer Obligations

		Previous Job	Future Job	Current Job
Overall Employee Obligation	Mean	5.14	5.71	5.25
	SD	.87	.56	.78
Overall Employer Obligation	Mean	3.33	5.84	3.67
	SD	1.09	.77	.97

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Figure 1. Employer and Employee Obligation by Reemployed vs. Control Group

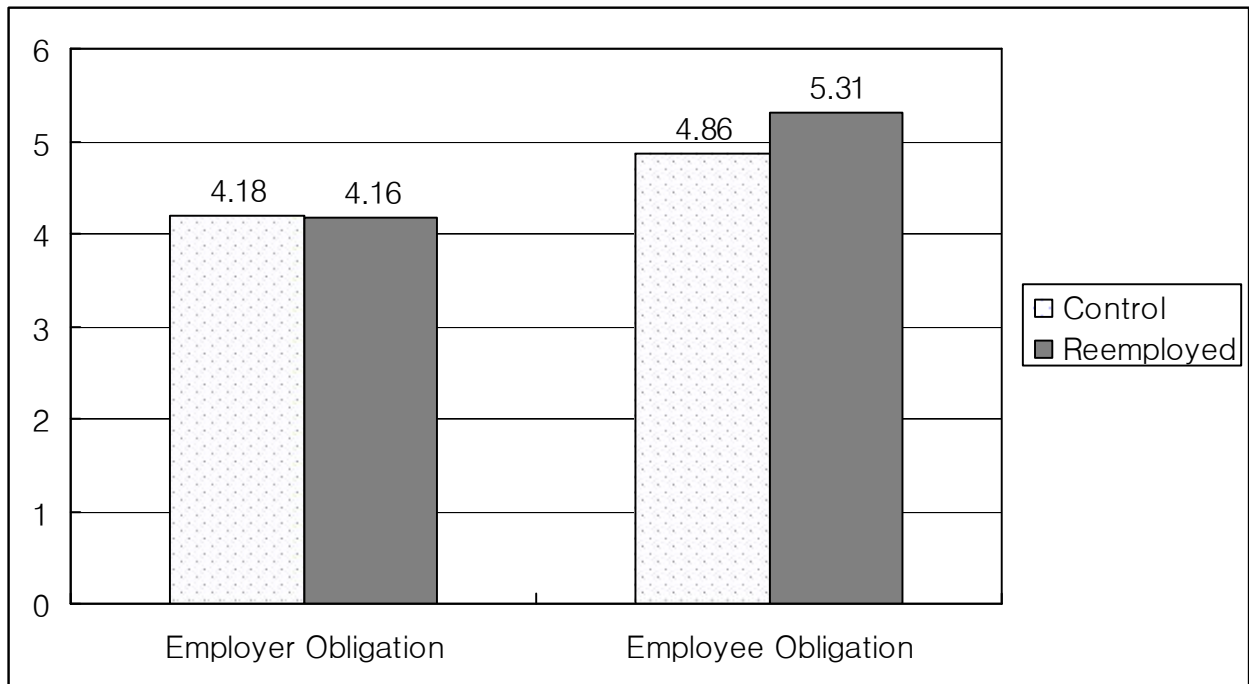


Figure 2. Change in Psychological Contract after Layoff

