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The Impact of the Psychological Contract on Intention to Leave in the Royal New Zealand Navy

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ABSTRACT

Over the last two years, the New Zealand Public Sector has experienced significant organisational change. In particular, the New Zealand Defence Force (NZDF) has instigated a number of reform programmes, most recently the Civilisation Project. The aim of the Civilisation Project was to analyse the workforce and identify jobs that were no longer required to be filled by people wearing a uniform. On 28 June 2011, 308 people from the NZDF were informed that they would be released from the service. Since this time, morale and satisfaction are at the lowest point recorded in the last eight years. This has had a dramatic effect on attrition, and since July 2011, NZDF personnel numbers have decreased by 1015 people (a decrease of 10.6%), and at the same time the attrition rate has increased from 10.7% to 21.3% per annum.

The present study sought to examine the employment relationship in the Royal New Zealand Navy (RNZN) utilising the framework of the psychological contract - the system of beliefs and perceptions of obligations between an employee and employer. The primary purpose of this study was to investigate the relationship between relational/transactional orientation of the psychological contract and intention to leave the organisation. The mediating role of affective commitment in employment relations was also examined. Data was collected from 619 members of the RNZN in a cross-sectional survey.

Hypothesis testing was carried out using structural equation modelling. Analysis confirmed that relational contracts have a strong and significant direct impact on intention to leave ($\gamma = -.752$, $\rho = .000$, $\beta = -.446$). The model also supported the path between transactional contracts and affective commitment, demonstrating a particularly strong linkage ($\gamma = -.719$, $\rho = .000$, $\beta = -.381$). A mediating role for affective commitment was also confirmed.

The present study suggests that the psychological contract orientation is both an important predictor of intention to leave, as well as providing a valuable insight into how employees view their career in the Navy. The results of the study suggest that human resource managers in the RNZN should focus on the relational aspects of the psychological contract in order to improve retention. Opportunities for future research include replicating this study across the wider NZDF and New Zealand public sector.
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