

**University of KwaZulu-Natal**

**The Relationship between the Psychological Contract and Retention of Staff in the Banking  
Sector in South Africa**

**by**

**Nelesh Dhanpat**

**204008979**

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**Supervisor: Professor Sanjana Brijball Parumasur**

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## DECLARATION

I..... declare that

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
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Completing a piece of work of this magnitude is indeed an achievement and an accomplishment that I am grateful to have produced. However, it cannot go undone without any acknowledgements.

A work of this stature and caliber cannot be complete without the blessings of the divine and the Supreme Lord Krishna - “the Supreme Personality of Godhead, the original person, has multifarious energies. He is the origin of material creation, and it is due to Him only that everything changes. He is the master of all opulences” – Jai Sri Krishna.

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## **DEDICATION**

**“It always seems impossible until it’s done” *Nelson Mandela***

***Dedicated to my loving wife and parents, the Dhanpat family.***

**All comforts of the world lie at your feet...Jai Sri Hanuman**

## **ABSTRACT**

South African organisations are under a great deal of pressure to retain their available talent. Many industries have put in place talent management strategies to develop and retain staff, some of which remains unsuccessful. Furthermore, various factors such as the changing labour market, organisational transformation and the unstable global economic climate have affected the financial stability of organisations. The instability faced by organisations has ruptured relations of their employees causing distress and hence, resulting in employees seeking alternative employment. Thus, it is imperative to understand the employer-employee relationship under the terms and conditions of the psychological contract.

The study focuses on establishing a relationship between the psychological contract and retention of staff in a banking institution in South Africa. The study was undertaken in Gauteng, South Africa, and was conducted within the retail IT department of a banking institution with a staff complement of 1400 staff. A sample of 304 professionals was drawn across using non-probability sampling technique. Data was collected using a questionnaire, the validity and reliability of which were determined by using Factor Analysis and Cronbach's Alpha Coefficient respectively. Data was analysed using descriptive and inferential statistics. The study established that there is a significant relationship between employees' expectations of their organisation and their importance of having these expectations met. The study established that there is a significant and direct relationship between the organisation's expectations of the employee and the importance of employees meeting those expectations. Various other findings relating to the dimensions of the psychological contract and the dimensions of employment information (career status, intention to seek alternative employment, employee commitment, job involvement, organisational support, job satisfaction, values and importance of work) were assessed and generated significant findings. Based on the results of the study, a model reflecting recommendations for managing the psychological contract and the employment information are presented, which when implemented, have the potential to enhance employee retention.

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## **CHAPTER 1**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.1. INTRODUCTION**

The current changes tampering the workplace have exerted great pressure on organisations. Many organisations to date have been perplexed by restructurings, organisational downsizing, environmental changes and constantly fluctuating markets.

As we have progressed into the 21<sup>st</sup> century employees have placed a great deal of attention on the psychological contract including the importance placed on organisations to fulfil their obligations. Their perception of the psychological contract implies that employees have many expectations of organisations; likewise, the organisation has many expectations of their employees. These expectations are often viewed as being unrealistic by many employees, whilst employers may perceive employees' expectations as being too unrealistic, for example, when expectations are not met, employees search for alternative employment elsewhere thereby, exerting a cost to the organisation and emphasizing the importance of the retention of staff. Evidently, within this competitive environment many organisations are focusing on staffing retention.

There is a major concern with regards to employee retention in organisations all over the world. Organisations are facing high levels of turnover and low levels of job tenure. Thus, organisations need to commit themselves to developing unique retention strategies and to understand the factors that allows for an increase in job tenure thereby, reducing voluntary turnover.

Organisations have put forward a distinct corporate culture and developed a set of corporate values, creating an individual brand for the organisation. Therefore, employees easily associate themselves with the employer brand. As a result, these practices assist employees to recognise and identify itself with the organisation and are regarded as an attempt from the organisation to define the psychological contract, aiding employee retention (Brutaro, 2012).



Organisations are currently operating in turbulent and changing environments. These original changes have aroused implications for the attraction and retention of employees. In recent times, the economic environment has evolved extensively due to international competition and globalisation of markets, requiring organisations to become more flexible and to increase productivity. This has led to decreased levels of job security in organisations and made it difficult for human resource managers to retain employees (De Vos, Meganck & Buyens, 2007).

The psychological contract can be described as a contract that exists between the employer and their employees. It is characterised as a match between the expectations the organisation has of its employees, the expectations the employees hold of their organisation and what the organisation is equipped to offer in return (Rossouw & Van Vuuren, 2010).

In a study conducted by Cappelli (2001), it was found that employees are attaching high levels of importance in creating their own career paths rather than organisational loyalty; therefore, organisations have increased rates of voluntary turnover. Retention management strategies have assisted organisations to reduce voluntary turnover rates.

During the 1980s, organisations and their employees were associated with comparatively conservative psychological contracts. During that period employees of those organisations felt affiliated, a sense of belonging and loyalty. This provided employees with a strong feeling of security and stability. Organisations in the 1980s were uprooted by business reengineering, retrenchments, large scale downsizing and restructuring. This led to a serious knee jerk reaction where the long-established perception of the psychological contract was dented; losing its mark which was rooted in stability (Rossouw & Van Vuuren, 2010).

The downfall of the psychological contract caused a great loss to the psychological well-being of employees. The desertion of the psychological contract connecting employees to a lifelong career with the organisation has damaged the security, stability and tranquility of the workplace. There is a current need to repair the dent caused to the psychological contract (Kets de Vries, 2001).

Managing and understanding the contemporary employee relationships is the psychological contract, which refers to employees' subjective interpretations and evaluations of their deal with the organisation and consist of individuals' beliefs concerning the terms and conditions of the exchange agreement between themselves and their organisations which do not form part of the organisation.

The pioneering part of the employment relationship is undertaken by the employee in return for the employer to provide a competitive remuneration package. This relationship is founded upon a legal contract (Armstrong, 2006).

Rousseau (1996) argued that in order to retain employees it is imperative that their expectations are managed effectively, by creating an offer that is mutually understood by employees and the organisation. Psychological contracts consist of individuals' beliefs concerning the terms and conditions of the exchange agreement between themselves and their organisations. De Vos and Meganck (2007) indicate that employees are negative about the extent to which their organisation upholds promises. This study examines the relationship between the psychological contract and retention of staff. The independent variable is the psychological contract and the dependent variable is retention of staff.

Retention strategies are an effective tool in reducing turnover. There is a need for management to address retention, the types of organisational inducements and human resource strategies that are effective in reducing employee turnover. Psychological contracts focus on employees' subjective interpretations and evaluations of inducements and how this will affect their intentions to stay. Retention practices might only turn out successful if they are aligned with what employees' value and what they take into consideration when deciding to remain (intention to stay) with or leave the organisation (intention to quit). These subjective interpretations of retention factors of employees will influence the effectiveness of retention policies set out by the organisation. This brings together both themes that can advance our understandings of the factors affecting employee retention (De Vos & Meganck, 2007).

## **1.2. FOCUS OF THE STUDY**

This study will determine variables that employees expect or perceive to be important in order to encourage them to remain in the organisation. The rationale of this research is to understand the relationship of the psychological contract and retention of employees, factors to retain staff and to assess their intention to leave.

Although much attention has been placed on the psychological contract it remains tentatively underdeveloped due to a lack of empirical research (Guest, 1998). Therefore, this research will empirically assess employee retention and the factors that most notably affect and impact an employee's decision to remain or quit their organisation.

## **1.3. PROBLEM STATEMENT**

In the 21<sup>st</sup> century, organisations have been grappling with accelerated changes in managing their human capital. Employee relations and retaining key talent have become one of the most crucial challenges that organisations face globally. Until recently, organisations have seen that employees add to the strategic importance, thereby giving an organisation its competitive advantage. Although there are large costs involved in employees, there is a certain standard of expectations that are required which the organisation provides for the employee, and so too does the employee provide to the organisation in return. When these expectations are not met, employees become dissatisfied and this has deleterious effects on work behaviour and attitudes compelling employees to quit the organisation and seek better employment opportunities elsewhere.

## **1.4. OBJECTIVES OF THE STUDY**

- To assess employee intentions to leave the organisation.
- To measure how employees perceive the adherence to the psychological contract.
- To assess the relationship between employee perceptions of the psychological contract and intention to leave.
- To determine the influence of biographical variables (age, gender, type of work, education levels and tenure) on the perceptions of the psychological contract and intention to leave respectively.

## **1.5. HYPOTHESES**

The following hypotheses will be tested using inferential statistics.

### **Hypothesis 1**

There is a significant relationship between employees' expectations of their organisation and their importance of having these expectations met.

### **Hypothesis 2**

There is a significant and direct relationship between the organisation's expectations of the employee and the importance of employees meeting those expectations.

### **Hypothesis 3**

There is a significant relationship between the importance of employee trust and the importance of employer trust.

### **Hypothesis 4**

There is a significant difference in the views of employees varying in age regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

### **Hypothesis 5**

There is a significant difference in the views of employees varying in type of work regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**Hypothesis 6**

There is a significant difference in the views of employees varying in gender regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**Hypothesis 7**

There is a significant difference in the views of employees varying in marital status regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**Hypothesis 8**

There is a significant difference in the views of employees varying race regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**Hypothesis 9**

There is a significant difference in the views of employees varying in tenure regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

### **Hypothesis 10**

There is a significant difference in the views of employees with varying levels of education regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

### **Hypothesis 11**

There is a significant difference in the views of employees with varying levels of contract terms regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

## **1.6. LIMITATIONS**

The study has the following limitations:

- The study adopts a cross sectional approach with data being collected only at one point in time.
- The study made use of only one data collection method, a questionnaire. For a deeper analysis of the study interviews and focus groups methods could have been utilised.
- The study focused on one area within the Banking Industry only and can be conducted throughout the organisation.

## **1.7. SUMMARY**

The study comprises of the following chapters:

**Chapter 1** accounts for the introduction of the study, provides the problem statement, illustrates the research objectives and sets the hypothesis for the study.

**Chapter 2** provides the literature overview of the psychological contract and proposes a framework for the study.

**Chapter 3** discusses the elements of employee retention, various models of employee retention and establishes the relationship between the psychological contract and employee retention.

**Chapter 4** presents the main methods and techniques that encompass the research methodology adopted. It details the sampling technique and composition of the sample, data collection design and the processing and analysis of the data. The psychometric properties of the questionnaire (validity and reliability) are also discussed.

**Chapter 5** illustrates the presentation of results and provides an analysis of the findings. In this study, inferential and descriptive statistics were carried out. Inferential statistics was analysed at the 1% and 5% levels of significance.

**Chapter 6** presents an overview of the results and outcomes obtained from the current study and were presented in tabular and graphical representation,

**Chapter 7** provides the recommendations that are made to enhance the understanding of relationship between the psychological contract and employee retention.

## **1.8. CONCLUSION**

This chapter serves the purpose of introducing the research and illustrating the background against which the study is set and conducted. The chapter further elaborated on the concepts of the psychological contract and employee retention. Subsequently, the focus of the study, objectives of the study and the problem statement was discussed. In addition, the hypotheses for the study were outlined. The chapter concluded with the limitations of the study and outlined summary of the chapters to follow.

## **CHAPTER 2**

### **THE PSYCHOLOGICAL CONTRACT**

#### **2.1. INTRODUCTION**

The primary objective of this research is to understand and investigate the context of the psychological contract in influencing the employee's decision to leave the organisation. This chapter will provide a broad definition and scope of the psychological contract. It presents the history, development and emergence of the psychological contract whilst elaborating on the socialisation process and will discuss the features and different types of psychological contracts.

This chapter will conclude by looking at the challenges of the psychological contract and proceed with exploring the psychological contract and retention, which is further discussed in Chapter 3.

#### **2.2. DEFINITION OF THE PSYCHOLOGICAL CONTRACT**

The psychological contract can be defined as “the terms of social exchange relationship that exists between individuals and their organisation” (Turnley & Feldman, 2000, p. 30). These beliefs emerge when employees believe that organisations have promised them inducement in return for their services rendered (contributions). Previous research conducted indicated that psychological contracts are relevant in shaping employment relationships (Turnley & Feldman, 2000).

The psychological contract concerns the exchange of commitments and promises as employees develop proposed expectations of personal development, reward and adjustment of one's present work. These individuals enter the organisation with a set of ideals and requirements with the belief that their expectations will be upheld by the organisation and their well-being appreciated and ensured (Spindler, 1994).

There are various distinctions between the psychological contract and a legal contract. The comparative differences of the two contracts are the type and nature of the procedures followed when an infringement of the contract results. Breach of a legal contract allows the mistreated



party to try to find enforcement in the court of law. However, the violation of a psychological contract offers no such recourse, leaving the mistreated party to hold back contributions or to depart from the relationship completely (Spindler, 1994).

The psychological contract produces attitudes and emotions which forms and controls behaviour. The implication of the psychological contract is essential for the harmonious and continuous relationship between the employee and the organisation. Employee perceptions and expectations take the form of unspoken assumptions; dissatisfaction may, therefore, be inevitable. These dissatisfactions can be alleviated if management appreciates and consider that their key role is to manage expectations (Armstrong, 2006).

There have been many studies conducted on the breach and violation of psychological contracts (Knights & Kennedy, 2005; Robinson & Morrison, 1993; Turnley & Feldman, 1998). Violations of the psychological contract have become very common and this is a critical area where organisations will have trouble in retaining employees. In a study conducted by De Vos *et al.* (2006), a sample of human resource managers expressed the reasons they believed to affect employee retention and the retention practices initiated in their organisation.

There have been various perspectives of the psychological contract adopted, highlighting the significance of employee-employer expectations, the need to understand the reciprocal relationship and to emphasise the importance of implicit obligations of the employer and employee (Cullinane & Dundon, 2006).

Literature over the years has provided numerous definitions of the term psychological contract which was coined by Argyris in 1960:

- The psychological contract is defined as the expectations of an individual employee that identifies the expectations of the individual and the organisation to give and receive from each other in their working relationship (Sims, 1994).
- An implicit, non-verbal and unwritten expectation of employees and employers going beyond the expectation (Schein, 1978).
- Refers to a person's perceptions and expectations with regards to a shared obligation within the employment relationship (Rousseau, 1989).

- The effort and contributions which employees are prepared to give in exchange for something valuable from the organisation, such as continuous growth and development (Newell & Dopson 1996).

Schein's (1978) seminal work, within organisational psychology, refined the definition of the psychological contract, cited by Wellin (2007, p. 19), as "The unwritten expectations operating at all times between every member of an organisation and the various managers and others in that organisation... Each employee has expectations about such things as salary or pay rate, working hours, benefits and privileges that go with a job... the organisation also has more implicit, subtle expectations that the employee will enhance the image of the organisation, will be loyal, will keep organisational secrets and will do his or her best".

Marguire (2003) contends that the common underlying dimension of these definitions of the psychological contract is attributed towards an employee's contained expectations, beliefs, responsibilities and promises with regards to representing a fair exchange within the margins of the employment relationship.

### **2.3. HISTORY OF THE PSYCHOLOGICAL CONTRACT**

Within the last decade there has been considerable expansion on the literature of the psychological contract which has primarily been influenced by Rousseau. Although the origins of the psychological contract were derived outside the sphere of Human Resource Management (HRM), it is now being used as an analytical device in explaining the employment relationship (Cullinane & Dundon, 2006).

The early introduction of the psychological contract can be traced back to the 1960s. The concept of mutual exchanges and expectations, including the idea of the employment relationship, traces back to the empirical studies and writings of Barnard (1938), March and Simon (1958) and Coyle-Shapiro and Parzefall (2008).

According to Coyle-Shapiro and Parzefall (2008), Barnard (1938) postulated the theory of equilibrium and argued that the continuous participation of employees in the workplace depend on adequate rewards received from the organisation. The underlying factor of this theory looks at the reciprocal exchange relationship of the employee and employer. This type of reciprocal relationship was further elaborated by March and Simon (1958) arguing that employees are satisfied by a greater differences between organisational inducements and their contributions. The reciprocal exchange relationship defined by March and Simon (1958) exclusively resembles a core characteristic of the psychological contract (Coyle-Shapiro& Parzefall, 2008).

The notion of the psychological contract was originally defined in 1960 and was explored theoretically and not empirically. In 1960, Argyris first defined the psychological contract as “the relationship between the employer and employee” (Sharpe, 2001, p. 2).

In an interview study of two factories conducted by Argyris, it was noted that an understanding of the psychological contract would develop amongst the foremen and employees. Thus, in this relationship foreman would respect the norms of the informal culture of the workers. Argyris’s concepts of the psychological contract were only in passing and literature has referred to Levinson as the father of this concept (Sharpe, 2001). Levinson, Price, Munden, Mandl and Solley (1962, p. 21) defined the psychological contract as “a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other”. The concept of the psychological contract stems from philosophical concepts of the social contract theory (Smithson & Lewis, 2003).

Levinson’s detailed conceptualisation of the psychological contract was highly influenced by the work of Menninger (1958). Menninger suggested that within contractual relationships there will be a need to exchange intangibles in addition to tangible resources. The findings of Levinson *et al.* (1962) highlighted the role of reciprocity and the effect of individual’s expectations being met. Thus, there is a relationship built where employees try to fulfil the needs of the organisation if their needs are met.

Schein (1978) noted that expectations between the employer and employee do not only cover remuneration and pay for performance but also incorporates privileges, rights and obligations.

Schein (1978) also attributed that employee dissatisfaction, labour unrest and worker alienation is concerned with the violations of the psychological contract. Schein (1978) identified these consequences as being explicitly disguised as issues of employment conditions, pay benefits and working hours which form the foundations of a negotiable and workable psychological agenda (Sharpe, 2001).

The works of Argyris, Schein and Levinson *et al.* (1962) were based on the implicit relationship and mutual understanding between the employer and employee. Their definitions have been challenged and recently defined by Rousseau, who has significantly influenced the research of the psychological contract (Sharpe, 2001).

Various studies conducted by Rousseau (1989, 1990, 1995 & 1996) have focused on the development of the psychological contract which is promise based. Over time it was attributed that the psychological contract will take the form of a mental model. The mental model is conceptualised differently at the level of the employer and the individual (Smithson & Lewis, 2003). The conceptualisation of the psychological contract concentrates on the employee side of the contract and was narrowly classified as a one way contract. Recently, many studies have put forward the explicit and implicit promises concerning employee contributions for organisational inducements. It is clear that the employers' perspectives have not been given much attention (Smithson & Lewis, 2003).

### **2.3.1. DEVELOPMENT AND CREATION OF THE PSYCHOLOGICAL CONTRACT**

The formulation of the psychological contract has been used as an important construct to provide explicate understanding of employee behaviour and attitudes towards their loyalty, commitment and expectations; furthermore, it acts as a schema in explaining employee turnover (De Vos, Buyens & Schalk, 2003).

Shore and Tetrick (1994) stated that the psychological contracts first materialises during the pre-employment negotiation and is advanced during the initial period of employment. The development of the psychological contract occurs when organisational agents and prospective employees enter into the employment relationship with a pre-determined set of expectations and perceptions. These employee expectations, transactional or relational, contribute to the development of the psychological contract.

The formation of the psychological contract develops with the entrants of newcomers into the organisation. The development of the psychological contract occurs within a time period of the first three to six months after an employee has entered the organisation. Early perceptions of employees are illustrated by high expectations towards the organisation and much lower expectations of themselves (Louis, 1980).

The process in which employees adjust to an organisation is one of uncertainty reduction. Efforts need to be increased in predicting the interactions of new entrants with other employees. Thus, begins the socialisation process of new employees within the organisation. These new employees are characterised as proactively participating in this process and research has indicated that proactive employees reap greater reimbursements than reactive employees who do not socialise (Payne, Culbertson, Boswell & Barger, 2008). Employees constantly seek processes to integrate and interpret, whilst deriving meaning from information and knowledge gained from various sources such as colleagues, management, talent consultants as well as information derived from their implicit employment contract. With the commencement of this process employees eventually create their individual understanding of their obligations and entitlements; this begins their psychological contract with the organisation (Shore & Tetrick, 1994).

There have been various studies that further explained the creation of the psychological contract:

- De Vos *et al.* (2003) and Rousseau (1990) investigated the initial processes of the psychological contract. These studies explained the expectations of newcomers and the promises they perceived. It highlighted the changes of employer's incentives and the actual perceptions of the psychological contract. However, these studies do not elaborate on the actual sources of formation of the psychological contract but do acknowledge the impact and influential function of the psychological contract.
- Weick (1995) stated that organisational entry has mainly influenced and aroused newcomers' behaviours and cognitions in relation to the way in which they think and act about their work.
- Tomprou and Nikolaou (2010) noted in their research, it is imperative to understand the dynamics of how the newcomer's psychological contract is created and developed. The development of the psychological contract is based on pre-entry data and cognitive biases in which new employees interpret the employment relationship.

### **2.3.2. THE SOCIALISATION PROCESS IMPACTING THE PSYCHOLOGICAL CONTRACT**

During organisational entry newcomers come to recognise, construe and understand the new environment in which they will be working in. Louis (1980) identified the process of sense making as a cognitive process that newcomers employ with the aim of coping with surprises, culture shock and the novelty of organisational settings. This process is critical to the functionality of newcomers including the development of their behaviours, attitudes and perceptions.

The theory of sense making provides an understanding of how the psychological contract evolves as a cognitive schema and develops in an employee's mind (Rousseau, 1995). Within the socialisation context, the sense making process provides an avenue for new employees to manage their expectations and experiences (Louis, 1980).

Previous literature cited that the sense making theory as a process to explain the fundamentals of breach and violations (Tomprou & Nikolaou, 2010). Hess and Jepsen (2009) noted that there is a need to rely on the interpretation on a number of inputs to understand the contemporary employment relationship in order to articulate expectations concerning the prospective psychological contract. Rousseau (1995) suggested that the newcomers' predisposition influences their expectations claiming that cognitive biases play a critical role in the development of these expectations. The sense making process plays an essential role in the creation and development of the psychological contract.

### **2.4. WHAT IS THE PSYCHOLOGICAL CONTRACT?**

Unlike the formal nature of the employment contract the psychological contract has no physical existence; characterised as dynamic, voluntary, subjective and informal, it is seen as an understanding and a set of expectations held by both the employer and employee. This type of relationship accomplishes two tasks, it defines and describes the employment relationship and manages their mutual expectations (Brewster, Carey, Grobler, Holland, & Warnich, 2008; Price, 2007).

The employee and the employer implicitly accept the psychological contract so that work procedures are effective (Morrison, 2006). Levinson's 1966 study of the Kansas Power and Light Company outlined the details of the psychological contract in a work setting (Morrison, 2006). The five qualities outlined by Morrison (2006) are:

- 1) Unspoken expectations
- 2) Expectations from the past
- 3) Interdependent
- 4) Psychological Distance
- 5) Dynamic

The psychological contract has been credited by Levinson as a set of unspoken expectations which are antedate. The parties within the psychological contract namely, the organisation and employee creates expectations of each other. These expectations are part of the psychological contract, making the parties expect that they need each other. The mutual relationship as part of the psychological contract can be classified as interdependent. The arrangement of this relationship thus profoundly depends on loyalty as parties need to manage the dependency of each other (Morrison, 2006).

The psychological distance refers to people's needs and challenges of intimacy. The quality of dynamic refers to the changing employment relationship which affects the psychological contract. The quality of dynamics refers to the psychological contract changing over time. However, it is noted that the psychological contract is modified due to the change itself. Psychological contracts are characterised as dynamic as changes occur without any formal acknowledgements (Morrison, 1996).

#### **2.4.1. FEATURES OF THE PSYCHOLOGICAL CONTRACT**

A distinctive feature of the psychological contract entails incorporation of the employer and employees aspirations, beliefs, expectations, needs and values. The belief of this nature refers to implied and unambiguous promises and obligations. It also refers to the degree to which these are understood to be met or infringed. The psychological contract is created once a reciprocal understanding and fulfilment amongst the employer and employee is reached with regards to

their expectations. The dynamic nature of the psychological contract consistently changes as this is established on an employee's socio-economic circumstances and career environment, in addition to the nature and environment of the business (Rousseau, 1995).

Devidson (2001) has described eight common-content elements of the psychological contract: challenge in the job, benefits/reward, job security, working hours, work life balance, fair treatment, working conditions, and development opportunities.

The works of Rousseau (1995) outlines the following as the content of psychological contract: external employability, loyalty, dynamic performance, stability, equitable pay, internal advancements, internal employability, trust, state of well-being, fairness, and all other related contents.

Rousseau (1995) contextualised psychological contracts based upon individuals and groups. Individual and group contexts are depicted in Table 2.1.

**Table 2.1**  
**Types of Contracts**

<b>Perspectives</b>		<b>Level</b>	
		<b>Individual</b>	<b>Group</b>
<b>Perspectives (relationship to the organisation)</b>	WITHIN	Psychological (Individual contract based on beliefs relating to promises made, accepted and relied upon.)	Normative (Shared psychological contract evolved from common beliefs).
	OUTSIDE	Implied (third party interpretation eg, perception of a potential employee)	Social (Shared contract dependant on a group's culture)

Ramlall, S. (2003). Managing employee retention as a strategy for organizational competitiveness, *Applied Human Resource Management Research*, 8 (2), p. 63-72.



## 2.4.2. TYPES OF PSYCHOLOGICAL CONTRACT

The current dynamics of the psychological contract as well as the varying characteristics of the contract itself raises the assumption that there are numerous different types of psychological contracts. Rousseau (1995), cited in Ramlall (2003), identified a 2 x 2 model of the psychological contract (Table 2.2). This model gave rise to four different types of contracts. Time frame and performance requirements are the two dimensions of the model. The aspect of time frame describes the period of service and performance requirements are seen as the expectations of performance which is a prerequisite of employment. Studies have indicated that a lengthy relationship persists between the employee and employer, the greater the exchange between the two parties. With the creation of the 2 x 2 model, it introduces a structure of four viable types of psychological contract, namely:

- Transactional (short term, specified performance)
- Relational (long-term, non-specified performance)
- Transitional (short-term, non-specified performance)
- Balanced (long-term, specified performance) (Ramlall, 2003).

**Table 2.2**  
**Types of Psychological Contracts**

Performance Requirements	Time Frame	
	Short Term	Long Term
Non-specified performance	Transitional	Relational
Specified performance	Transactional	Balanced

Ramlall, S. (2003). Managing employee retention as a strategy for organizational competitiveness, *Applied Human Resource Management Research*, 8 (2), p. 63-72.

- **Transactional**

This type of contract is characterised as a short term employment relationship with a narrow duration, looking closely on the exchange of work in lieu of remuneration. The employee will have a precise and specific description of responsibilities, duties and tasks with restricted participation within the company. The transactional contract is predominantly true for employees engaged on short-term contracts and off site employees (Rousseau, 1995).

- **Relational**

The relational psychological contract identifies socio-emotional elements, such as reciprocity, loyalty, support and job security. It draws strong ties towards long-term career development and extensive training. Career advancement and remuneration is based on position, rank and other rewards which are loosely related to on-the-job performance. This type of contract is characterised by long term membership and contribution in the organisation (Janssens *et al.*, 2003).

- **Transitional**

The transitional psychological contract is characterised as a cognitive state reflecting changes in the organisational framework and socio-economic changes as well as transitions that are in disagreement with a traditional understanding. This definition it is not exactly a psychological contract. This type of contract and cognitive state is evident during organisational reengineering and restructuring (Chapman, 2010).

- **Balanced**

This type of contract is characterised as a dynamic and unrestricted employment engagement. This contract is pre-conditioned on company success of the employer organisation. Individual's prospects are to develop proficiencies and competencies for growth and career progression which are closely based on skill sets and individual performance whereby the employee and employer mutually contributes to each other's growth.

Most organisations use the balanced psychological contract. The use of rewards based on performance management contributes to the organisation's competitive advantage adding to their success (Chapman, 2010).

### **2.4.3. FUNCTIONS OF THE PSYCHOLOGICAL CONTRACT**

Certain aspects of the employment relationship are not addressed within the written, formal employment contract. The concept of the psychological contract plays a pivotal role in filling the gaps in this relationship set out by the formal employment contract. The psychological contract assists in shaping employee behaviour and reducing insecurity. Chapman (2010) noted that the psychological contract can be considered as a point of view of employee feelings with a requirement of being understood from both sides. Within the employment context employees perceive the psychological contract as the balance or fairness of:

- How the employer treats the employee?
- Employee inputs into the job.

The prime functions of the psychological contract have been described in various ways. Some of the primary functions identified by various authors are:

- Robinson, Kraatz, and Rousseau (1994) state that a critical attribute represented in the psychological contract binds and regulates the behaviour of the employee and employee.
- The psychological contract enables the employment relationship and ensures the human interaction of the organisation operates smoothly. This is imperative during any type of organisational restructuring including times of uncertainty and risk (Morrison, 1994; Rousseau & Wade Benzoni, 1994).
- Hiltrop (1995) identified that the psychological contract achieves two tasks, namely, it describes the employment relationship and manages the employee-employer mutual expectations.
- Sparrow (1996) noted that psychological contracts and hygiene factors are parallel to each other. A good psychological contract may not often result in superior employee performance; however, a poor contract will act as a demotivator in employee performance

and will lead to decreased levels of commitment, an increase in absenteeism and higher turnover rates.

## **2.5. EMPLOYER AND EMPLOYEE EXPECTATIONS**

Research over the years have primarily indicated that employees' expectations are located within the psychological contract which have become a key area of exploration by researchers (Guest, 1998; Herriot, Manning & Kidd, 1997; Rousseau, 1990; Schein, 1978). The psychological contract provides a functional framework to managing the open process of employees' expectations (Herriot & Pemberton, 1996). This exchange agreement between the employer and employee plays a pivotal role in developing the psychological contract and the formulation of expectations perceived by each other (Curwen, 2011). Levinson *et al.* (1962) considered the psychological contract as a set of mutual expectations. The notion behind the psychological contract identifies the fundamental processes concerning the expectations within the employment relationship (Curwen, 2011).

Mitchell (1974) defined expectancies as cited by Robinson and Rousseau (1994: 247) as “the perceived probabilities of outcomes resulting from employee behaviour (e.g. the likelihood of reward”. Coyle–Shapiro and Parzefall (2008) noted that mutual expectations arise from unconscious motives, therefore, the employer and employee may not be aware of each other's expectations.

The early definitions of the psychological contract introduced the concept of the employers' expectations in addition to employees' expectations. Rousseau (1989) argued that these types of expectations perceived are difficult to comprehend as a whole. Csoka (1995) defined expectations as the essential building blocks of the psychological contract. In addition to expectations, obligations of the employer and employee are usually paired with expectations.

The findings of Levinson *et al.*'s. (1962) study emphasised the functionality of role reciprocity and highlighted the effect of anticipated satisfaction of the employee-employer expectations. Much emphasis is placed on the actual fulfilment of needs created within the employment relationship where employees work at fulfilling the needs of the employer if their needs have

been met (Coyle–Shapiro & Parzefall, 2008). Once these expectations are met the psychological contract is considered as fulfilled. It is imperative that the employer and employee work towards this.

Gouldner (1960) suggests if employees perceive the attributes of fair treatment, justified rewards and respect they will feel obliged to reciprocate by increasing their performance and remain loyal to the organisation, therefore, avoiding any harm which can impact the organisation. As soon as efforts are increased by employees promises made by the organisation will be fulfilled.

Various literature notes that fulfilment of expectations lead to higher levels of commitment, increased employee efforts and positive attitudes of employees (Guest, 1996; Makin & Cooper, 1995; Rousseau, 1996).

## **2.5.1 OBLIGATIONS OF THE EMPLOYER AND EMPLOYEE**

Cullinane and Dundon (2006) described the psychological contract as perceptions of the employer and employee which include their obligations. The foundation of the employment relationship forms the basis of the psychological contract and is centered on employee attitudes, expectations and beliefs about reciprocal obligations among themselves and their employers (Rousseau, 1995; Shore & Tetrick, 1994).

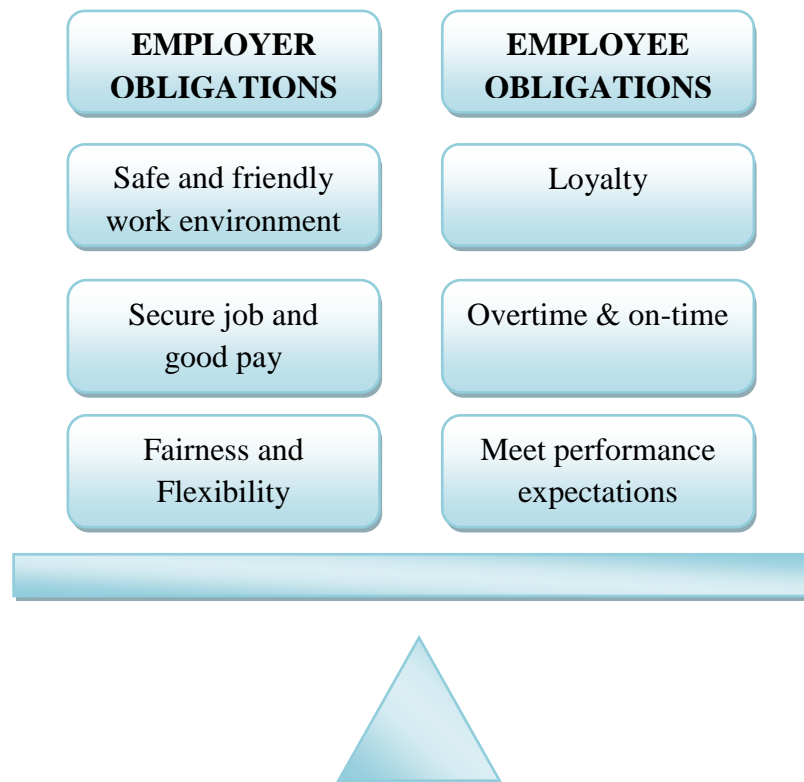
Turnley and Feldman (2000) noted that employees' beliefs and expectations emerge when organisations promise to provide them with certain inducements in return for their contributions in the workplace. A study conducted by Turnley and Feldman (1998) indicated that employees will evaluate the inducements they receive in view of previously made promises from the organisation. The evaluation of inducements by employees will lead to the feeling of psychological contract fulfilment or breach.

Reciprocity pressures are usually created when employees feel obliged to fulfil their perceived obligations. Fulfilment of employee obligations results in a stable employment relationship, less conflict and a longer tenure (Rousseau, 1989). A study conducted by Jeffery (2008) found that the difference in age, tenure and seniority play a crucial role in shaping perceptions and attitudes

of employees towards the perceived obligations of the employer. The research indicated in order to maintain a positive relationship between the employer and employee the different requirements of the employee's life-stage needs to be taken into consideration. Understanding the employee's life stage could mean the difference between retaining employees and losing them.

Figure 2.1 highlights some of the elements of the psychological contract in relation to employer-employee obligations. Steyn (2009) noted that employee perceptions of their obligations concerning the employer have a greater influence on the job specific outcomes than the contents of the psychological contract.

**FIGURE 2.1**  
**EMPLOYEE AND EMPLOYEE OBLIGATIONS**



Steyn, L.F. (2009). *The role of the psychological contract among blue-collar workers in the underground coal mining industry*. South Africa: University of Pretoria. p. 8.

### **2.5.2. BREACH AND VIOLATION OF THE PSYCHOLOGICAL CONTRACT**

Organisations encounter various challenges within the contemporary employment relationship. Hirsch (1989) cited that organisations are experiencing a demise of employee loyalty; therefore, there is a need for employees to ensure they take care of themselves. Employee interactions with organisational agents and procedures results in their development of beliefs about what they owe to their employer. Rousseau and Parks (1993) recognised that employees also develop beliefs of how their employers are obligated to reciprocate actions and efforts. Furthermore, the psychological contract involves perceived promises which are not always explicitly stated (Morrison & Robinson, 1997). These perceived promises are usually inferred by the employers' actions; likewise, should an employee not believe or perceive that the promises have been made, a psychological contract does not exist (Rousseau, 1995). The breach of a psychological contract results when an employee perceives that one or more of the employers' obligations have not been fulfilled or when an employer is not willing to fulfil the obligation (Johnson & O'Leary-Kelly, 2003). Morrison and Robinson (1997) define breach as cited in Botha and Moalusi (2010:2) "as an affective and emotional experience of disappointment, frustration, anger and resentment that may emanate from an employee's interpretation of the circumstances surrounding a perceived contravention of the contract". The concepts of breach and violation are generally used interchangeably by researchers (Suazo, Turnley & Mai, 2005). However, other, researchers have drawn a distinction between these two concepts (Morrison & Robinson, 1997; Raja, Johns, & Ntalianis, 2004):

- Psychological contract breach refers to the perceptions' of employees that did not receive all which has been promised.
- The concept of violation denotes an emotional response towards contract breach. This results in employees displaying various forms of behaviour such as betrayal, frustration and anger.

Literature over the years have indicated that there are significant consequences of psychological breach and employee perceptions of breach; consequently, it will result in severe repercussions, namely, decrease in employees' work attitudes and behaviours, reduced commitment, lowered performance and satisfaction (Morrison & Robinson, 1997; Robinson & Rousseau, 1994; Robinson, Kraatz & Rousseau, 1994).

Raja *et al.* (2004) indicates that greater perceived breach will result in a greater feeling of violation. Breach of the psychological contract is regarded as the calculative assessment of the employer-employee relationship, whereby employees realise that the organisation have not fulfilled their promises. Non-compliance or non-reciprocation of the employer or employee is of vital importance; ascribing importance to the principle of reciprocity which affirms that the fulfilment of employee expectations is conditional to what is owed to them by the organisation (Hallier & James, 1997).

Rousseau (1989) expressed that violations of the psychological contract are serious and results in a significant change in the employment relationship. Employees may experience psychological distress and damage the employment relationship. Consequently, once the violation has transpired, the employee will develop an altered view of the employer. Should the organisation fulfil the unmet expectation the employee will still have a different view of the employer.

Employees will respond to the violation or the fulfilment of the psychological contract depending on the way in which it is perceived. Employees' responses to a broken contract can be severe and eventually cause unfavourable workplace outcomes; such reactions will impact on organisational indicators. Fulfilment of the psychological contract results in employees experiencing fairness within the employment relationship and may believe that the organisation values them (Curwen, 2011; Rousseau, 1989).

Empirical studies have identified that psychological contract breach exerts a negative influence on employee behaviour, attitudes and health (Isaksson, 2006). Several authors have indicated that breach affects the outcomes of organisational commitment, job satisfaction, job performance, intention to leave and trust (Robinson, 1996; Coyle-Shapiro & Kessler, 2002; Coyle-Shapiro, 2002; Cantisano Domínguez & Depolo, 2007). Employees experience significant changes and outcomes when their expectations are violated. Research has suggested that employees experience feelings of distress, broken trust, betrayal, anger, resentment and frustration. These feelings will result in a decline of life satisfaction, motivation and loyalty (Herriot *et al.* 1997; Rousseau, 1989). In this regard, employees feel that their goodwill in the relationship is dented. Likewise, the repercussions faced by organisations are immense and



eventually impacts on organisational performance (decreased performance), employee litigation and increased turnover (Robinsons, 1998; Rousseau, 1989).

A study conducted by Robinson and Rousseau (1994) identified that 55% of new entrants thought their employer had violated their psychological contract within the first two years. Likewise, small daily broken promises can happen on a regular basis at the workplace (Conway & Briner, 2002). Curwen (2011) cited some examples of simple day-to-day breaches as an employer failing to acknowledge an employees' good work or an employee wasting time by abusing work facilities, such as surfing the internet.

The number of contract breaches and violation responses can be reduced. Robinson and Morrison (1994) identified that psychological contract breach is more likely to occur when employees had not experienced a formal process of socialisation and did not have much contact with the employer prior to being hired. Socialisation practices are an essential process in communicating expectations and potential returns. However, peers in the organisation may paint a subjective and unrepresentative picture of the organisation, leading to unmatched content in the psychological contract of the employee and eventually leads to its breach (Curwen, 2011).

Research has indicated that employees are pessimistic about the extent to which their organisation upholds its promises. Turnley and Feldman (1998), in their study, found that twenty-five percent of the sample of employees felt they received less or much less they had been promised. These promises were strongly related to job security, decision making, opportunities for development, health care benefits, power and responsibility. Research conducted by Robinson *et al.* (1994) found that fifty-five percent of the sample in the study reported psychological contract violations two years after joining the organisation. Empirical work have explored and demonstrated that psychological contract violation is relatively common and this explains difficulties in retaining employees (De Vos *et al.*, 2006).

A study conducted by Gakovic and Tetrick's (2003) of psychological contract fulfilment established that a positive relationship exists between job demands and emotional exhaustion. The study also identified that fulfilment of organisational obligations and supervisory support is negatively related to emotional exhaustion. The fulfilment of organisational obligations, control,

and supervisor support were positively related to job satisfaction. Shore and Tetrick (1994) noted that psychological contracts are a factor in employee perceptions of predictability and control.

Various studies have confirmed the nature of the relationship between fulfilment and non-fulfilment of psychological contract breach and violation and confirmed a significant relationship with turnover intentions (Kotter, 1973; Lemire & Rouillard, 2005; Lester & Kickul, 2001; Robinson, 1996; Shore & Barksdale, 1998; Sutton & Griffin, 2004), whilst breach or violation of the psychological contract increases an employee's intention to leave the organisation.

Clinton and Guest (2004) noted that relationships exist between the content of the psychological contract and intention to quit and between fulfilment of the contract and intention to quit. The relative strength of these two relationships indicated that the content of the psychological contract impact on an employee's intention to quit, than non-fulfilment of the contract. Despite the findings of Clinton and Guest (2004), other research conducted stated that the non-fulfilment of the psychological contract will lead to greater intentions of individuals to leave the organisation (Cable, 2008).

Robinson and Morrison (1993) identified five potential responses of psychological contract violation, namely, voice which is described as an action orientation approach in which an effort is concerted to reinstate and maintain the contract. Retreat, silence, destruction and exit are described as states of orientation whereby employees make an effort to survive the violation either by withdrawing from the employment relationship or by lowering the employer's or their own perceived obligations.

De Vos *et al.* (2006) proposed that the psychological contract is a construct of both scientific and practical importance and that it is of vital importance for HR professionals concerned with the retention of their employees.

## **2.6. THE NEW EMPLOYER-EMPLOYEE RELATIONSHIP**

In the last decade, organisations and management have experienced a rapid evolution in business operations. With changes continuously taking place, the old place of business has disappeared. The introduction of a fluid and flexible environment is a reality. Vast changes are taking place within the organisation as well as its employees (Brewster *et al.*, 2008). The nature of employment relations is undergoing fundamental changes as a result of the evolutions and fluctuations in the social and economic environment in which organisations exist. Taking this into cognisance, the psychological contract assists in shaping and managing the new contemporary employment relationship (De Vos *et al.*, 2006).

Brewster *et al.* (2008) identified that due to the success of competitive organisations; strategies need to maximise the efficiency and effectiveness of processes whilst ensuring that employees contribute and remain committed. In order for this to be achieved, organisations need to implement new practices and abolish old ways of doing things.

### **2.6.1. PSYCHOLOGICAL CONTRACT AND CHANGE**

Schein (1978) raised a fundamental issue that the psychological contract will unavoidably change over time. Schein suggested, as cited in Wellin (2007, p. 29), “the psychological contract changes over time as the organisation’s needs and the employees’ needs change... What the employee is looking for in a job at age 25 may be completely different from what the same employee is looking for at age 50. Similarly what the organisation expects of a person during a period of rapid growth may be completely different from what that same organisation expects when it has levelled off or is experiencing economic decline... As needs and the external forces change, so do these expectations making the psychological contract a dynamic one which must be constantly renegotiated”.

Literature suggests that changes in organisations presents a threat to the reciprocal nature and dynamics of the psychological contract presenting serious consequences for both employees and employers (Sims, 1994). Often employers do not realise the impact of the violations incurred on their employees.

Morrison (2006) identified that the psychological contract and change are related in three ways, namely:

- The contract is dynamic and continues to evolve depending on the needs of the employee and employer.
- Change modifies the contract.
- Change brings about unspoken expectations.

Fundamental changes in the organisation such as downsizing, re-engineering and restructuring have impacted the employment relationship. Furthermore, direct changes in organisational structures and strategies have had an overwhelming effect on employees' careers. Hiltrop (1995) noted that significant changes in employees' careers include the lack of job security. The new work environment has brought about a decentralisation of responsibility and decision making which reduced the need for managerial and supervisory control (Herriot & Pemberton, 1996). A study conducted by Ebadan and Winstanley (1997) found that 72% of the respondents noted that their career prospects since downsizing have worsened.

Turnley and Feldman (1998) acknowledged that changes in the psychological contract between employees and employers have not benefited employees. Employees were disadvantaged by organisations not providing any guarantee of tenure and advancement whilst employees remain committed, involved and loyal (Hiltrop, 1996).

Psychological contracts are not static and are characterised as voluntary, dynamic, informal and subjective. Due to the changing nature of environmental conditions employees closely evaluate the existing psychological contract in order to renegotiate their own and employer's obligations. Furthermore, literature supports the argument of social information processing theory. This theory proposes that employees obtain information through observation of their own behaviour and that of their employer. Robinson *et al.* (1994) identified that this process allows employees to alter their perceptions of what they owe the employer and what is owed to them by the employer.

## **2.6.2. THE OLD AND NEW PSYCHOLOGICAL CONTRACT**

The old psychological contract relies heavily on the exchange of security for compliance; this concept has now been withdrawn with the establishment of the new psychological contract (Sims, 1994). Various sources of literature have agreed on the argument proposed of the new psychological contract:

- Significant changes in the employer-employee relationship have weakened (DeMeuse & Tornow, 1990).
- The demise of the old cradle-to-grave psychological contract (Waxler & Higginson, 1993).
- Change in loyalty towards the organisation to looking out for one self (Kanter & Mirvis, 1989).

The traditional psychological is characterised by predictability, growth and stability. This type of psychological contract brought about a sense of a permanent organisation and long-term employment, investment and advancement which guaranteed employee loyalty. Employees, in this type of organisation remained committed and expected advancement. In comparison, organisations currently offer restricted opportunities for development and growth. Employees have realised that there is a lack of job security (Sims, 1994).

With the changes in the psychological contract on the employer and employee's side a new distinct psychological contract emerges. This new contract is characterised as short term and situational. According to Hiltrop (1996), the new psychological contract is defined as "There is no job security, the employee will be employed as long he or she adds value to the organisation, and is personally responsible for finding new ways of adding value. In return the employee has the right to demand interesting and important work, has the freedom and resources to perform it well, receives pay that reflects his or her contribution and gets the experience and training needed to be employable here or elsewhere" (Brewster *et al.*, 2008, p. 6).

Various authors have referred to dramatic revision of the psychological contract (Burack 1993; Burack & Singh 1995; DeMeuse & Tornow 1990). The fading away of the old employment contract, which is rooted in stability and predictability, is replaced by faint promises. Singh (1998) identified that the psychological contract was formerly characterised by employees exchanging performance, cooperation and conformity for economic and tenure security. Such a

relationship is classified as dependant; this reaffirmed employee loyalty. Ehrlich (1994) noted that new responsibilities of employers are gearing towards creating opportunities for employees. Kissler (1994) provided a summary of the evolving employer-employee relationship (Table 2.3).

**Table 2.3**

**Kissler's (1994) distinction between old and new characteristics of psychological contracts**

<b>Old Contract</b>	<b>New Contract</b>
Organisation is 'parent' to employee 'child'.	Organisation and employee enter into 'adult' contracts focused on mutually beneficial work.
Employee's identity and worth are defined by the organisation.	Employee's identity and worth are defined by the employee.
Those who stay are good and loyal; others are bad and disloyal.	The regular flow of people in and out is healthy and should be celebrated.
Employees who do what they are told will work until retirement.	Long-term employment is unlikely; expect and prepare for multiple relationships.
The primary route for growth is through promotion.	The primary route for growth is a sense of personal accomplishment.

Kissler, G.D. (1994). The new employment contract. *Human Resource Management*, 33(3), p. 335-351.

There have been significant interests in the psychological contract due to turbulent changes and the nature of business which have changed radically over the last decade (Coyle-Shapiro & Neuman, 2004). Employees were no longer devoted to a specific employer and moved across to different employers to attain rewards they believed they deserve. This type of protean career is described by Hall and Moss (1998) as independent and directed towards employees' desires, needs and values. In this regard, for the psychological contract, this meant that old key features, namely, loyalty, continuity and security are replaced by an exchange intended for employability. Gasperz en Ott (1996) noted that the new psychological contract would ensure employers value aspects such as mobility, multi-deployability and employees developing enlarged competencies,

enabling employees to switch from job security to work security, with the aim of attaining employment elsewhere.

Literature has indicated there have been quantum shifts in the balance of mutual and reciprocal agreements between the parties (Anderson & Schalk, 1998). Research conducted by Ebadan and Winstanley (1997) and Sharpe (2001) found employees of all age had long term career plans with their current organisation. Although organisations demand changes in their working practices, resulting in a new deal and encouraging employability this has not changed aspects of the organisation's culture.

A study conducted by Rajan (1997) confirmed that new organisational values are not clearly articulated. Hence, there are conflicting messages conveyed by the old and new culture. Shape (2000) in a study of 400 participants from 40 different organisations concluded that employability was a key feature and a reality for the minority of employees, the more privileged, ambitious and highly educated group.

Maguire (2002) established that the psychological contract provide means of ascertaining effective relationships between the employer and employee. In the study, Maguire (2002) suggested that employers alter and adjust the conditions of the psychological contract to meet the needs of a mobile workforce.

Similarly, Pascale (1995) several years earlier deduced that the workforce, at that point in time, possessed entrepreneurial traits. This necessitated the new-free agent relationship illustrated by the employability based psychological contract, arguing that employees have become more mobile. In spite of this, there is inadequate evidence to date on the frequency of employees leaving their employers to pursue greater opportunities. Such a psychological contract of this type ties the employee to the profession instead of the organisation.

## **2.7. CONTEXT, COMPLEXITY AND IMPLICATIONS OF THE PSYCHOLOGICAL CONTRACT**

Within the dynamic employment relationship, various attitudes of employees surface, such as trust, faith, commitment, enthusiasm, and satisfaction. These various attitudes depend to a great extent on a fair and balanced psychological contract.

The new employment relationship is occasionally portrayed as a new arrangement, a fluctuating career or a boundaryless career. Many organisations can no longer offer sustainable job security and long-term career opportunities. Therefore, organisations have a duty and responsibility towards their employees by providing an enabling environment for growth and continuous learning (Janssens, Sels & Brande, 2003). A notable expectation of employees is that they are no longer concentrating on commitment and loyalty but are seen as a value add and being responsible for one's own career development and progress (Hall & Moss, 1998; Janssens *et al.*, 2003).

Hendry and Jenkins (1997), Coyle-Shapiro (2000) and Patterson (2001) agree that present employment dynamics have played a role to the re-emergence and breakthrough of the psychological contract. Patterson contended that there are fundamental changes in obligations and expectations of both employer and employee. The dynamics of this can be seen in the effort to redefine the relationship that exists between the employer and employee (Cable, 2008). Positive attitudes and behaviour can thrive when the psychological contract is perceived as being fair to employees. When the contract is perceived as unfair organisational performance weakens exponentially (Chapman, 2010).

Employees reciprocate in a number of ways should they feel or perceive that their expectations have not been filled or met by the organisation. The breach in this relationship is related to lower employer trust, organisational commitment, retention and job satisfaction (Coyle Shapiro, 2008).

The nature and extent of employee's needs and wants within the workplace will determine the complex nature of the psychological contract. Occupational needs are being impacted by extrinsic factors arising out of the workplace. Occupational needs are increasingly impacted by external factors outside of work as well as those we naturally imagine arising internally. The



characteristic of work itself has become richly diverse and complex, compared to decades ago (Chapman, 2010). The labour relationship between the employer and employee, which is reflected in the psychological contract, has increasingly developed in complexity. This is justified due to the fact that employees have become increasingly more mobile, enabled by modern technology as markets have become boundaryless and globalised (Chapman, 2010). Contemporary workforce dynamics has created these complexities and changes.

The prevalent psychological contracts have transgressed from emerging to bureaucratic to one that is characterised by adhocracy. Essentially, this entails both the employee and employer being mature, and where employees determine their own value, identity and worth through their performance and accomplishment. Employees regularly enter and leave the organisation reducing long-term employability (Wellin, 2007).

## **2.8. PSYCHOLOGICAL CONTRACT AND RETENTION**

Literature has concurred that human resource professional are faced with the challenge of attracting, motivating and retaining talented employees (De Vos *et al.*, 2006; Turnley & Feldman, 2000). It is also noted that organisations struggle to retain talented employees who are critical to organisational survival. In more recent times the concept of retention management has emerged and has been further explored to reduce both voluntary and involuntary turnover (De Vos *et al.*, 2006).

In order for retention management to be effective it is imperative that employees' expectations are managed. Similarly, the psychological contract looks at employees' subjective interpretations and evaluations of inducements and how these will impact their intention to stay or quit. Retention strategies are an effective process in reducing turnover. There is a need for management to address retention, the types of organisational inducement and human resource strategies that are powerful in reducing labour turnover. Psychological contracts focus on individuals' personal understanding and assessment of inducements and how this will have an effect on their intentions to stay.

Retention practices possibly will only turn out successful if they are in accordance with what employees' value and what they take into consideration when deciding to stay with or quit the organisation. These personal interpretations of retention factors of individuals will influence the effectiveness of retention policies put in place by the organisation. This brings together both themes that can enhance our knowledge and understandings of the factors influencing retention of staff (De Vos & Meganck, 2007).

Studies based on employee psychological contract breach and violation will result in employees' willingness to contribute and intentions to stay with the organisation (Coyle-Shapiro, 2002; Robinson, 1996; Robinson, Kraatz & Rousseau; Turnley & Feldman, 1998; 2000). Other studies have indicated there is a positive correlation between psychological contract breach and actual turnover (Guzzo, Noonan & Elron, 1994; Robinson, 1996).

Collectively, these results indicate that the psychological contract is a model of both scientific and practical importance; it is pertinent and significant to the field of human resources and especially relevant in helping organisations retain its employees.

## **2.9. CONCLUSION**

Chapter Two presented a literature review of the psychological contract. This chapter examined the various definitions of the psychological contract. From these definitions and the historical view of the psychological contract, it was identified that the psychological contract emerges from the start of a new joiner's employment into the organisation and includes his/her perception, beliefs, values and expectations. In addition, it also involves the mutual relationship between the employer and employee, based on the principle of reciprocity.

Following this was a discussion highlighting the development and formation of the contract. Subsequently, a historical overview of the psychological contract was discussed and presented the emergence and formulation of the psychological contract.

The chapter further progressed into assessing the employer and employee expectations whilst exploring the obligations each perceive. The literature review further established the

implications of the violation and breach of the psychological contract. In addition, the reconceptualisation of the old and new psychological contract was identified. The chapter concludes discussing the complexity of the psychological contract and its integration with employee retention.

## **CHAPTER 3**

### **EMPLOYEE RETENTION**

#### **3.1. INTRODUCTION**

Chapter two presented an overview of the psychological contract with specific reference being made to its history, development and definition. A crucial challenge faced by organisations is high employee turnover; therefore, research on employee turnover and employee retention has dominated the works of many human resource and organisational behavioural researchers. Hence, this chapter presents a theoretical framework of employee retention. Subsequently, the concept of employee retention is defined and various employee retention models are explored. This chapter further elaborates on employee turnover, outlining the various types of turnover and focuses on the causes of employee turnover. To conclude this chapter, factors affecting employee retention, including HR factors, will be discussed and employee retention management strategies will be elucidated.

#### **3.2. A THEORETICAL FRAMEWORK OF THE STUDY**

In South Africa, retention practices have created various challenges to organisations as they struggle in the war of talent acquisition, a shortage of skilled manpower and an occurrence of unremitting brain drain (Kinnear & Sutherland, 2001). As a result, many organisations today are facing tremendous pressure to retain key talent. Business success, over the years, has become largely dependent on people and organisational capabilities in order to gain a competitive advantage. Much attention has been placed on how organisations are managing their talent. As a result, attracting, developing and retaining human capital is a key challenge faced by many organisations and Human Resource (HR) professionals (Swanepoel, 2004).

The concept of talent often refers to employees who possess “any innate capacity that enables an individual to display exceptionally high performance in a domain that requires special skills and training” (Simonton, 1994, p. 436). In this regard, talent frequently regarded as human capital refers to indisposable attributes of employees, which provides organisations with their competitive edge.

Talent is considered a strategic tool to both the organisation and the employee, who is also considered a scarce resource and can reap various rewards (Bexell & Olofsson, 2005). Hiltrop (1999) noted that employees with talent add immense value to organisations; however, it is imperative to identify which employees are talented. Various researchers have distinguished two perspectives of employees, namely, High Potentials and non-High Potentials (Dries & Pepermans, 2007; Lombardo & Eichinger, 2000; Snipes, 2005). There are several distinctions of high potential employees that have been accounted for in literature, describing several attributes such as, flexibility, proactivity and stress resistance (Kyndt, Dochy, Michielsens & Moeyaert, 2009). Furthermore, recent literatures have distinguished central characteristics of high potential employees, which include leadership skills, creativity, autonomy and learning potential (Dries & Pepermans, 2008; Kyndt *et al*, 2009; Snipes, 2005). The alternative perspective highlights that all employees possess talent. Therefore, it is critical that organisations need to take into cognisance that every employee adds value.

Shifts in the economy and demographics of South Africa have recently prompted concerns of employee retention. The emergence of talent management in the 2000s has confirmed the notion of talent being the scarcest resources in which organisations compete and depend upon providing their competitive edge (Brewster *et al.*, 2008). However, many organisations are losing skilled employees, resulting in a loss of investment incurred on those employees. Organisations need to make a concerted effort to retain their skilled employees or incur large costs in recruiting and training new employees. In addition to organisations losing their key talent, Walker (2001) argued that employees leave organisations taking with them the know-how. Thus, organisations, due to the mobility of highly skilled employees, suffer a great loss of confidential information, intellectual capital or intangible assets (Arkin, 2001).

### **3.3. EMPLOYEE RETENTION**

The previously mentioned changes and fluctuations of the economy, demographics and business in South Africa and internationally, have provoked organisations to increase their attention on retaining key and talented staff. This process is referred to as employee retention. Frank, Finnegan and Taylor (2004, p. 13) described the concept of employee retention as “the effort by an employer to keep desirable workers in order to meet business objectives”.

Whereas, other sources of literature refers to the concept as retention management, defined as an approach of managing talented employees and the means of keeping them for a longer engagement period than your competitors by implementing strategic retention management initiatives. Lockwood (2006) noted that retention is a vital process and element in managing talent. Grobler and Diedericks (2009, p. 3) define the concept of retention as “measures to keep the talent that contributes to the success of the organisation”. Researchers have explained employee retention as:

- An intentional move made by organisations to foster an atmosphere which engages employees for a long term period within the organisation (Chaminade, 2007).
- A beneficial process to both the organisation and employee, which encourages staff to remain with the organisation for a maximum period until the end of the lifecycle of a project (Sandhya & Kumar, 2011).

The loss of competent employees results in an adverse effect on the organisation, experiencing a decrease in service delivery and productivity. The current scenario sees HR professionals experiencing challenges in the retention of high-performing employees, as they are frequently changing jobs or being poached by other organisations (Samuel, 2008). Although there are numerous research studies based on employee retention and turnover, directed at identifying reasons that causes employees to quit; much less attention is given to why employees stay (Hausknecht, Rodda & Howard, 2008). Maertz and Campion (1998) noted that there is relatively less research based on turnover that focuses in employee attachment and what compels an employee to stay. Thus, it is imperative that retention processes are studied along with the quitting process. Although this is often overlooked, the reasons people remain in the organisation are not always the same as why they leave. There have been common links among organisations where the use of outsourcing has been a vehicle to sub-contract non-core and routine work at strategically important positions. Research conducted by Hale (1998) revealed that 86% of the employers involved in the research endured problems in attracting key talent and 58% endured problems in retaining them. When an organisation loses key talent in strategic positions there is a direct impact on the organisation. Organisations may experience a reduction in level of innovation and quality.

There is a need for innovative methods to be devised in order to retain high performers. The absence of suitable retention strategies is having an undesirable effect on South African organisations as there are huge costs incurred in frequent recruitment (Samuel, 2006). A study conducted by Ramlall (2003) in the United States of America, identified that in totality the cost of employee turnover is approximately 150% of an employee's annual remuneration, indicative that turnover incurs significant costs, namely, direct costs (temporary staff, recruitment, placement and selection) and indirect costs (costs of learning and morale pressure on remaining employees); which is the main feature of involuntary turnover. Therefore, it is imperative that managers adopt appropriate retention strategies in order to reduce high turnover rate thereby reducing these costs (Dess & Shaw, 2001). In the changing world of employment, Friedman, Hatch and Walker (1998) reported that the concept of permanent employment has long been forgotten. The shifting labour market has brought upon fundamental changes in the psychological contract between the employer and employee, no longer guaranteeing long-term commitment, thus affecting employee retention (Lee, 2001).

International competition and the globalisation of international markets have directed organisations to increase flexibility in order to improve productivity levels. However, King (2000) argued that this has been an aggravating factor in reducing the job security of employees within all levels of the organisation. In addition, organisations are under a great deal of pressure to continuously attract and ensure that they retain high caliber employees with high level competencies that are crucial for organisational growth and continued existence (Horwitz *et al.*, 2003; Mitchell, Holtom & Lee, 2001; Steel, Griffeth & Hom, 2002). Often, however, organisations experience difficulty in retaining employees due to their affinity of attaching greater importance to creating and demarcating their own career path than to organisational loyalty; thereby, resulting in an increased rate of voluntary turnover (Cappelli, 2001). Hannay *et al.* (2000) noted that in order to enhance employee retention a perceived future opportunity from the organisation plays a significant role for employee retention including expectations that have been met by the employer. More challenging and additional responsibilities, respect and autonomy are characterised as the perceived future opportunities.

### **3.3.1. CONCEPTUAL DEVELOPMENT AND CONTEXTUALISATION OF THE EMPLOYEE RETENTION MODEL**

From the beginning of the 20<sup>th</sup> century, there were studies primarily centered on employees' movement, investigating the factors that commonly influenced employee turnover, namely, remuneration, training practices, labour market structure and career achievements, which paved the way forward for the development of retention and turnover theory (Chen, 1997; March, 1958; Zheng, Kaur & Zhi, 2010). The integrative theory concerning managing employee turnover and retention within personnel psychology, organisational society and in the interaction of economic interest have provided insightful discussions regarding the determinate factors of employee retention, namely, impetus, individual goal, desirability and other perceived opportunities for employees to join a collaborative organisation. The theory on effectiveness of organisation inducement suggested that, to attract employees and keep them committed employees need to contribute their willingness in order to maintain a social structure and achieve organisational goals.

March and Simon (1958) stated that job satisfaction diminishes an employee's interest of leaving; thus, reducing turnover. The Met-Expectation Model developed by Porter and Steers (1973) suggests that employees possess individual sets of expectations. The model proposes that should employees' expectations not be satisfied or met it will result in their dissatisfaction, leading to turnover. The seminal work of March and Simon (1958) sets out to describe each employee's involvement in an organisation as conditional, based on an inducement-contribution utility balance. This is sequentially a purpose of two interrelated motivational forces, namely, a perceived desirability of movement and a perceived ease of movement, from the organisation. A perceived desirability of movement, regarded as push factor, is largely influenced by job satisfaction. Examples of a push factors include level of pay, unmet needs, lack of career development opportunities and stress of the job whereas perceived ease of movement depends on each employee's perception of the availability of employment in the external labour market and is regarded as a pull factors, namely, job transfer of a spouse, maternity leave, career mobility opportunities and change of career (Lee *et al.*, 2008).



Mobley's (1977) model of employee turnover focuses on turnover as a process to identify the perpetual process. The model assesses the relationship between turnover and satisfaction, which further elaborates on the psychological dynamics which are linked to negative job attitudes and actual voluntary turnover. In particular, the model projected a sequence of linkages between the evaluation of the current job and actual turnover in a causal order: "Evaluation of existing job → Job dissatisfaction → Thinking of quitting → Evaluation of expected utility of search and cost of quitting → Intention to search for alternatives → Search for alternatives → Evaluation of alternatives → Comparison of alternatives vs. present job → Intention to quit/stay → Quit/stay" (Lee *et al.*, 2008, p. 4).

Subsequent models of employee turnover have played a major role to echo and replicate the effects of March and Simon's (1958) push and pull factors on the relationship between job satisfaction and actual turnover (Griffeth & Hom, 1995; Lee & Mitchell, 1994; Maertz & Campion, 1998; Steel, 2002). Steel (2002, p. 353) observed that these models explain "the employment search process as an outgrowth of disaffection" and proposed the end result of dissatisfaction into search and then turnover as "highly rationalized, systematic, and orderly". Although these employee turnover models include pull factors there is inadequate conceptual and empirical attention given to assess the easiness of the movement component of the original March and Simon (1958) employee turnover model. Griffeth, Hom, and Gaertner (2000) conducted a meta-analysis study of voluntary turnover determinants and identified 67 studies of job satisfaction as a key predictor of turnover and identified only 11 studies of alternative occupation opportunities. Empirical studies over the years have concluded that a major improvement is required in such models to explain the phenomena of voluntary turnover decisions. In a recent meta-analysis study conducted by Griffeth *et al.* (2000), it was found that the mean correlation between job satisfaction and voluntary turnover as -0.19. An investigation in the United States of Information Systems (IS) professionals, conducted by Rouse (2001), made significant movement towards understanding turnover intentions and identified rational models of voluntary turnover. Rouse (2001) identified turnover that followed a linear progression and hypothesised that the experience of job dissatisfaction directly influenced employee turnover decisions. However, this is no longer realistic especially in IS, where turnover is cited as the norm. The theory of linear progression puts forward that there are a

number of transitional steps which exist between the experience of job dissatisfaction and the actual act of voluntary turnover. The employee is viewed as a rational individual who follows a sequential process when deciding to terminate his/her employment within the organisation.

In the past decade, the conceptualisation of employee turnover was introduced to management literature and tested on numerous employee groups (Mourmant & Gallivan, 2007). Lee & Mitchell's (1994) unfolding model of employee turnover highlights a natural approach to making turnover decisions. The unfolding model postulates five theoretical decision paths which employees undertake when considering leaving an organisation, such as, shocks, engaged scripts, image violation, job satisfaction and searching for alternatives. Lee, Gerhart, Weller & Trevor (2008) acknowledged that the unfolding model is an important construct in describing the gruelling circumstance that results in employees to re-examine their current employment scenario, referred to by Lee & Mitchell (1994) as shock to the system. On the contrary to traditional employee turnover models, the unfolding model proposes that such shocks are integrated into an employee's belief system that can drive their impulsive decision to quit; thus, resulting in the employee not taking into consideration the personal attachment to the organisation. Here, the shock itself can be regarded as job-related or non-job-related, negative or positive, internal or external and expected or unexpected to the individual. This includes unsolicited job offers, changes in marital status, transfers, promotions, firm mergers, and downsizing (Lee *et al.*, 2008).

Various models and studies have suggested that the psychological contract as a key variable for retention of staff. The Workplace Relationship Development Indicator (WRDI) model of psychological contract states that:

- Job satisfaction and affective commitment are two major predictors for employees not to quit the organisation.

The WRDI model suggests that the meeting and fulfilling of employee expectations, fairness and trust will lead to affective job satisfaction and commitment. The study of the psychological contract examines the content of the contract. The model suggests that the content of psychological contract and the factors leading to employee retention overlap in many cases. Berman and West (2003) cited that some of the following factors could be a part of the

psychological contract for both employers and employees: Responsibility and authority, work schedules, working relationship, quality of work with immediate supervisors, workload, career development, loyalty, promotion, interpersonal relations, individually preferred working styles, rewards, job security, and specific behaviour of employees and managers.

Employee expectations play a critical role and include equitable personnel policies, comfortable working conditions, opportunities for growth and development, reward for work/effort and career advancement. Furthermore, it was noted that the organisation expectations involve productivity for reward and working conscientiously in achieving objectives. Organisations are burdened with large costs associated with employee turnover. The global economic downturns have left organisations restructuring their corporate ladder and making changes to policies and procedures. There is a need for employers to put in place retention strategies and keep their employees satisfied and committed in the midst of downsizing and layoffs.

### **3.4. EMPLOYEE TURNOVER**

The retention of top talent is of primary concern to organisations, as the presence of an increased level of employee turnover is a clear indication that various problems may persist in relation to human resource wide practices and processes such as, poorly designed reward systems, inappropriate talent acquisition process and ineffective grievance and disciplinary handling (Coetzee & Schreuder, 2010; Marchington & Wilkinson, 2008). Within human resource research, employee turnover relates to employee movements which vary from organisation to organisation and occur for many different reasons (Rankin, 2006; Zhang, 2005). Pfeffer and Sutton (2006) noted that employee turnover is widely recognised as a major managerial concern. Price (1977:15) defined the concept of turnover as “the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period”. Price (2001) defines turnover as the movement of employees across the boundary of the organisation. Here, the term individual refers to the employee and the concept of movement is associated with separation or an accession of the organisation. In literature, researchers have also used other labels for turnover, such as attrition, mobility, quits, exits, succession or migration (Perez, 2008). Managers often define employee turnover to include the entire process in filling a vacant position. Gustafson (2002) noted that when a position becomes vacant, either involuntary or voluntary, a new hire needs to be sourced,

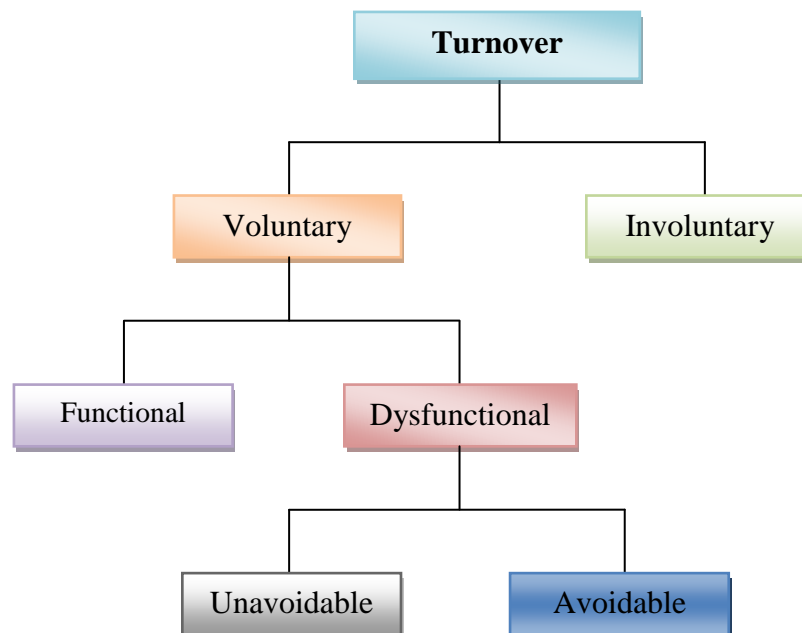
recruited, trained and developed. The term turnover is utilised when measuring employee relationships in an organisation as they leave due to any reason or cause.

Research has noted two schools of thought which have dominated research on employee turnover, namely, economic and psychological. The economic school of thought focuses on external concerns of the organisation, such as differing wage scales, level of unemployment, job availability and the markets, both local and global. The psychological school of thought draws much attention to employees and their intentions to quit or remain within the organisation, which are related to factors such as commitment, expectations, satisfaction and engagement (Marchington & Wilkinson, 2008). The current study draws specific attention to the psychological school of thought. Research studies have identified numerous factors of why employee turnover remains a core focus for organisations. In recent times, high turnover has traditionally been the driving force behind turnover research due to economic implications of which businesses have prioritised. It has been suggested by many researchers that organisations face a number of financial costs linked to employee turnover, namely, training costs associated with the hiring and training of new employees, experiencing a shortfall in productivity and employee performance and employee demoralisation (Hom & Griffeth, 1995; Rosse, 1998; Mobley, 1982). Likewise, contemporary turnover literature supports that employee turnover can result in positive outcomes for organisations. However, this greatly depends on who leaves and who stays within the organisation (Lynch & Tuckey, 2008; Mobley, 1982). In such instances, employee turnover can offer an organisation with opportunity to prevent and move beyond stagnation; the displacement of non-performers introduce change and help facilitate new information (Hom & Griffeth, 1995; McEvoy & Cascio, 1987; Williams & Livingstone, 1994). An empirical study conducted by Stovel and Bontis (2002) indicated that on average employees change organisations every six years. This is suggestive that employers need to identify the factors that influence the frequent change of employment. Once identified organisations are able to devise effective retention strategies; thus, increasing the tenure of high potential employees.

### 3.4.1. FORMS OF TURNOVER

The concept of employee turnover varies throughout literature and focused on employees who exit the organisation. From this, employee turnover can be further differentiated and key distinctions can be conceptualised. Within literature, crucial differences of employee turnover have been put forward, namely, voluntary versus involuntary. In essence, employee turnover takes into account the rationality of turnover which is avoidable versus unavoidable (Lynch & Tuckey, 2008). As suggested in Figure 3.1, there are various forms of employee turnover and are categorised as functional turnover, voluntary turnover and involuntary turnover (Coetzee & Schreuder, 2010).

**Figure 3.1**  
**TURNOVER CLASSIFICATION SCHEME**



Allen. D.G. (2008). *Retaining talent: A guide to analyzing and managing employee turnover*. United States of America: SHRM Foundation. p.8.

- **Voluntary turnover** refers to a competent or highly skilled employee leaving the organisation to take up an employment opportunity elsewhere. This is rather costly to organisations. Turnover is considered to be voluntary when an employee chose to or is

motivated to leave the organisation; therefore, resignations are generally regarded as a voluntary form of separation (Lynch & Tuckey, 2008). Allen (2008) noted that in order to manage this type of turnover, it is imperative that organisations have an in-depth knowledge of why employees leave or stay and also ensure that well developed strategies are implemented in order to operationally manage the turnover of high performers.

- **Involuntary turnover** occurs when employees leave the organisation based on operational requirements such as retrenchments, layoffs, downsizing and the employee being fired for poor performance. This type of turnover is considered as inevitable and often seen as beneficial to the organisation (Riggio, 2009). Hom and Griffeth (1995) noted that turnover is considered to be involuntary if an employee was prompted or forced to leave an organisation due to instigation of the organisation or as a result of any external factors, namely, death or illness.
- **Functional turnover** includes resignations that are welcomed by the employer and result from a failure to fit in, poor work performance and not complementing or fitting in the organisational or departmental culture.

Vale (2010) classified the different types of turnover as depicted in Table 3.1.

**Table 3.1**

**Different categories of turnover**

<b>Voluntary Turnover</b>	<b>Involuntary Turnover</b>
<ul style="list-style-type: none"> <li>• Employees choose to leave the organisation.</li> <li>• There are two types of voluntary resignations:</li> <li>• <b>Functional</b> – characterised as the process of substandard employees leaving the organisation.</li> <li>• <b>Dysfunctional</b> – the exit of high performers.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision made by the employer.</li> <li>• High turnover which is caused by organisations:</li> <li>• Poor management, lack of alignment, uncertain future opportunities and restructuring.</li> </ul>

Adapted from Vale, I. (2010). *Addressing Staff Retention and Improving Staff Engagement*. Training presented at People in Aid and Emergency Capacity Building Project Horn of Africa Consortium Project. Kenya: Emergency Capacity Building Project. p. 7.

The boundaries between voluntary and involuntary turnover may seem ambiguous; however, a key factor to distinguish between voluntary and involuntary turnover is the control in which an employee decides about whether or not to leave the organisation. On the contrary, a key factor that differentiates between avoidable turnover versus unavoidable turnover is the control that an organisation possesses over an employee's exit (Hom & Griffeth, 1995; Lynch & Tuckey, 2008).

An intention or desire on the part of an employee to quit an organisation may result from any number of factors which include disappointment with the job and discontent with the organisation. Such discontent may also lead to the perception that the organisation has unsuccessfully recognised the responsibilities it has to the employees in terms of the conditions of the psychological contract (Cable, 2008). Intention to quit is described as a deliberate and conscious wilfulness to exit the organisation, which can be stated as the strongest cognitive reason of turnover (De Vos & Megank, 2007; Samuel, 2008). Studies conducted by McElroy, Morrow, and Rude (2001), cited by Cable (2008), outlined various reasons employees leave an organisation which differ greatly; however, employees possess a need to break away from turbulent occupation environment factors. Such turbulent factors are estimated to embrace the various expectations, beliefs and perceptions employees grasp in terms of the provisions of the psychological contract.

The term voluntary turnover is described as “instances wherein management agrees that the employee had the physical opportunity to continue employment with the company, at the time of termination” (Maertz & Campion, 1998, p. 50). It is difficult to determine whether or not an expressed intention to quit is a clear indication of an employee's desire to voluntarily terminate employment. Cable (2008) indicated that the intention is expressed by the employee, and is deficient of any evidence that the termination is being set off or pieced together by the organisation; therefore, it can clearly be considered as a key indication of an employee's desire to voluntarily terminate from the organisation.

Although functional turnover reduces sub-optimal organisational performance, high turnover is injurious to an organisation's productivity levels; thus, causing great losses to patronage and jeopardising organisational goal achievement. There is a dire need for organisations to take note of dysfunctional turnover. Dysfunctional turnover transpires when high performance, highly productive and skilled employees quit the organisation leaving behind employees who are less

productive and low skilled (Hannay *et al.*, 2000). Abassi and Hollman (2000) noted that dysfunctional turnover causes destruction to the organisation through reduced productivity, decreased innovation, delayed services and improper implementation of programmes; thus, reducing an organisation's ability to prosper within the current competitive economy and affecting the most ambitious and high performing organisations leaving them with the inability to retain effective and talented employees (Stovel & Bontis, 2002). Allen (2008) noted that turnover costs can have an increasingly alarming impact on organisations; a study indicated that turnover costs accounts for more than 12% of pre-tax income within an average organisation.

The concept and construct of the psychological contract may be higher to other constructs in forecasting and illustrating voluntary turnover. A negative factor cited by McElroy, Morrow and Rude (2001) is the assumed non-fulfilment of the psychological contract. Here, the employee affected is likely to articulate a greater intention to leave the organisation. The relationship as suggested by Turnley and Feldman (1999) moderated by procedural justice, the degree of justification of the infringement of the psychological contract and attractive employment alternatives (Cable, 2008).

### **3.4.2. TURNOVER INTENTION**

Various authors have highlighted that turnover is one of the most researched phenomena in human resource management and organisational behaviour (Price, 2001; Hom & Griffeth, 1991). Studies on turnover focus on employees' intentions to withdraw and leave the organisation and further elaborate on voluntary and involuntary turnover. Thus, the extensive range of turnover studies are indicative of the complexity it puts forth to the organisation of the issue. Hom and Griffeth (1991) and Mobley (1977) noted that in retention management, it is imperative to analyse the importance of turnover intention which assesses the role of forecasting and understanding actual reasons of why employees quit the organisation. According to Berndt (1981), turnover is not explicit. Unlike actual turnover, turnover intentions are regarded as a statement about a specific particular behaviour of concern. The concept of turnover intent is described as the reflection of "the (subjective) probability that an individual will change his or her job within a certain time period" (Sousa-Poza & Henneberger, 2002, p. 1) and is regarded as an immediate precursor to actual turnover. Literature by Mobley (1977) and Hom and Griffeth (1991) explores whether the relationship of turnover intent and actual turnover exists.



Mobley, Griffeth, Hand and Meglino (1979) suggested that the constructs of actual intention and turnover intention are measured separately. However, it was noted that actual turnover is expected to increase as the intention significantly increases. It was also noted that results of other studies provide confirmation for the high significance of turnover intention in investigating employee's turnover behaviour. A study conducted by Henneberger and Sousa-Poza (2007) noted that the decision on job mobility are made by employees in the short run. However, the study also suggested that not all employees who expect to change their career had an actual turnover. In essence, employees who did not intend to quit, had actual turnovers. In view of this, it highlights that employees are responsive to sudden appeared options; alternatively, employers need to prevent successful employees from job mobility.

Turnover intention was reported to be highly correlated with actual turnover. Mobley (1977) noted that the dissimilarity exists between the desire to leave and the intent to quit. According to Tett and Meyer (1993, p. 259) the concept of intention to quit, referred to as turnover intention, is defined as "a conscious and deliberate wilfulness to leave the organization...the strongest cognitive precursor of turnover". Cable (2008) noted that the basic principle of intention to quit results if employees are intending to leave their employment. They will be less inclined to believe that they are obligated to meet the expectations they believe the organisation has of them. Employees with a high intention to quit are associated with a low commitment to the employment relationship. It is imperative to note that employee turnover is not necessarily dysfunctional; however, the focal point is on the possibility of organisations to successfully manage turnover operations through proactively managing the psychological contract. Maertz and Campion (1998) deduced that employees may be persuaded to leave their employment willingly if they observe the non-fulfilment of their psychological contract.

### **3.4.3. CAUSES AND INFLUENCES OF EMPLOYEE TURNOVER**

Turnover is a result of employees becoming unhappy in their career. However, it is important to note that being unhappy in a career is not the only reason why employees leave one organisation for the next. Generally, employees who possess skills which are high in demand are usually lured away to other organisations for an increased salary, improved benefits and higher growth potential. Therefore, it is integral for organisations to recognise the difference between employees who leave the organisation because they become unhappy or those who leave for alternative reasons.

Mobley (1982) identified the process of employee turnover as process and not an action within the organisation. This process is characterised as dynamic and changes over time which includes employees at any given time, at varying levels of engagement and disengagement. In addition, Lee and Rwigema (2005) noted that turnover is attributed as a combination of action and operations which is illustrated as cognitive attitudinal and behavioural. Therefore, the implications of employee turnover are seen as a complex process and includes where organisations are at any given time in line with employees' perceptions at any one moment in time. Essentially, this is necessary to consider as it is evident that employee turnover can result from factors arising outside the locus of control of the organisation. Hence, organisations need to take into cognisance that employee turnover is a complex process. Allen (2008) noted that some employees quit a job on impulse whereas most employees spend a considerable amount of time evaluating their current job with other possible alternatives, which presents itself. Also, employees engage in various types of career search behaviour and develop intentions on what to do.

Griffeth *et al.* (2000) identified numerous factors which are the causes of employee turnover, namely, lack of organisational commitment, job dissatisfaction, comparison of alternatives, and intention to quit. The study explored the relationship between pay, an employee's performance and turnover and found that if high performing employees are inadequately rewarded, they are most likely to leave the organisation to seek alternative employment. Kirschenbaum and Weisberg (2002) noted that the influence of employees' intention to leave their organisation has a significant influence on employee resignation.

The study concluded that the more positive the perception of their employees' intention to leave the organisation, the more employees indicated that they would want to leave. The findings denoted those employees' feelings function as a type of social pressure on other employees to make a similar decision, in leaving the organisation. These findings hold true to the resigning employees and co-workers if they are on the same level or else the level of influence on intention to leave may not have a negative impact.

According to a study conducted by Taplin, Winterton and Winteron (2003), two key factors are significant reasons for employees leaving their employment, namely, low level of remuneration and an organisation's image. The study proceeded to explain employee's perception towards their level of wage-rate and identified that employees are more likely to leave should they perceive a low level wage-rate in the future from the organisation. March and Simon's (1958) theory of organisational equilibrium highlighted such matters. This theory explained that employees remained with the organisation as long as the inducements offered, such as good working conditions, satisfactory pay and learning and development opportunities are equal to or greater than the contributions, such as time and effort made by the employee. Furthermore, employees base their desire to leave the organisation on these judgements and this may ease the way in which they depart. A positive relationship between the organisational image and employee satisfaction has been established by Clardy (2005). According to this finding, Clardy (2005) indicated that an organisation's ability to uphold promises to its employees with regards to basic working conditions, individual welfare and providing quality products and services to customers determines the reputation level of the organisation which it commands from the employees; therefore, employees may be retained.

### **3.5. FACTORS INFLUENCING EMPLOYEE RETENTION**

Various literature over the last two decades have collectively agreed that successful organisations share a common philosophy on valuing human potential and investing in employees to reap the long-term benefits and goals of the organisation (Anand, 1997; De Vos *et al.*, 2006; Maguire, 1995). Therefore, managing talented high-performing employees is regarded as an essential mean of achieving a competitive advantage (Walker, 2001). Literature, researchers and practitioners over the years in the field of human resources have collectively agreed that

employment relationship is undergoing fundamental changes; thus, impacting the retention of motivated and talented employees (Cavanaugh, Moyhihan & Boswell, 2000; Horwitz, Heng, & Quazi, 2003; Roehling, Turnley & Feldman, 2000). Cappelli (2000) identified several factors that play a fundamental role in employee retention and directly affect career opportunities, work environment, work life balance, organisational justice, and existing leave policy and organisation image. Cole (2000) suggested that employees remain loyal to the organisation where they possess a sense of value and pride and perform at their full potential. The reasons cited why employees remain in the organisation are growth and development, reward system, remuneration package and work life balance.

The current business scenario witnesses organisations embarking on great efforts to attract, sustain and maintain employees. It has been noted that a high salary and designation are not significant factors in retaining employees whereas factors such as work environment, remuneration, leadership style, career development, rewards, organisational justice, performance appraisal and leave policy are seen as some of the key determinants in ensuring employees are effectively retained (Irshad, 2011; Meyer; Allen, 1991).

### **3.5.1. HUMAN RESOURCE (HR) FACTORS AFFECTING EMPLOYEE RETENTION**

From the previous chapter, it is understood that the concept of the psychological contract has gained large popularity with regards to managing the current contemporary employment relationship (Rousseau, 1996; 2001; Turnley & Feldman, 1998). In an economic downturn, organisations are plagued with large costs linked to employee turnover which eventually lead to downsizing, layoffs and retrenchments (Agarwal & Ganjiwale, 2010). In order for employee retention to be effective, organisations need to create the most advantageous portfolio of human resource practices. Essentially, the creation of the portfolios is not sufficient; therefore, it is imperative that organisations manage employee expectations concerning these practices (Agarwal & Ganjiwal, 2010). In essence, these HR procedures are collectively put under the concept of retention management. The concept of retention management can be clearly understood and is defined by Johnson (2000), cited by Agarwal and Ganjiwale (2010, p. 55), as “the ability to hold onto those employees you want to keep, for longer than your competitors”.

Effectively, HR managers are required to initiate a deal that is reciprocally beneficial and recognised by the members of the employment relationship (Rousseau, 1996).

Although retention management tackles the various types of organisational HR strategies and inducements that are useful in plummeting voluntary turnover, De Vos *et al.* (2006) noted that the psychological contract centres on employees' personal interpretations and evaluations of inducements and how these impact their intention to stay in the organisation. Hewitt (2004) defined intention to stay as the level of employee commitment to the organisation including the willingness to remain employed. Halaby (1986) pointed out that it refers to the propensity to leave and attachment to the organisation. Similarly, various researches have suggested that this concept, whether it is referred to as propensity to leave or intent to stay; has been identified as a significant determinant of employee turnover (Igharia & Greenhaus, 1992; Tett & Meyer, 1993). Studies conducted by Carsten & Spector (1987), Iverson (1996) and Steel & Ovalle (1984) revealed that intention to stay had a strong negative relationship with turnover (-0.50, -0.47, -0.57 respectively).

Organisations need to consider that retention procedures might only render to flourish if they are aligned with employees' values and are taken into cognisance when deciding to stay or leave the organisation. In view of the fact, employee's subjective interpretations of retention factors will impact the effectiveness of retention policies intended (De Vos *et al.*, 2006). Therefore, it is essential that both themes of the psychological contract and intention to stay, jointly, could enhance our understandings of the factors that directly impact retention of staff.

Horwich *et al.* (2003), Roehling *et al.* (2000) and Ulrich (1998), cited in Cable (2008), believe that the following inducements paves the way in impacting employee retention. These inducements vary from financial inducements to the new age type of inducements and are grouped into five different categories and are discussed further:

- Financial rewards
- Career development opportunities
- Job content
- Social Atmosphere

- Work-life balance (Cable, 2008).

#### **a) FINANCIAL REWARDS**

In literature, the most widely discussed retention factor is the provision of an attractive remuneration package, referred to as financial rewards. Financial rewards play a pivotal role, as it does not only fulfil material and financial needs but also provides a social meaning to employees (De Vos *et al.*, 2006). Armstrong and Murlis (1994) suggested that it is essential for organisations to implement remuneration systems that include both financial and non-financial aspects, as this would ensure the fulfilment of employees' needs; thus, increasing levels of employee commitment and performance. Rewards are crucial for job satisfaction because it satisfies the essential needs and wants of an individual and assists in accomplishing higher level goals (Bokemeier & Lacy, 1986).

The salary level of an employee provides the main indication of their relative position of power and status which one holds in the organisation. Likewise, research conducted by Pfeffer (1998) and Woodruffe (1999) illustrated that there is much inter-individual variability in the significance of financial rewards attributed for employee retention. In a study conducted by Bevan (1997) it was revealed that 10% of employees who leave their organisation rated dissatisfaction with compensation as the most important motive for leaving the organisation. Cappelli (2001) noted that organisations are moving towards the trend of benchmarking. In addition, by means of remuneration, organisations have experienced a great difficulty in setting themselves apart from their competitors which have significantly reduced the impact of financial rewards on employee retention. Although studies have reflected financial rewards to be a poor motivating factor, it still continues to be used as a tactic by organisations to ensure that employees remain committed (Cappelli, 2001; Mitchell *et al.*, 2001; Woodruffe, 1999). It is important to note that in a study conducted by Horwitz *et al.* (2003) it was established that the most accepted retention strategies reported by HR managers of knowledge organisations are still related to compensation. In addition, Shoaib, Noor, Tirmizi and Bashir (2009) found the correlation value of reward as 0.642 and the beta value as 0.252, which validates the significance of reward on employees. The findings also suggest that it serves as a reminder for employees about their commitment and achievement and acts as encouragement to repeat their effort in the

future. Moreover, the more employees see or think about, or use the reward, the more the employee is expected to realise that they are appreciated by the organisation; thus, there is an increased level of employee retention. In another study, Agarwal and Ganjiwale (2009) found that in a sample frame of 80 employees from a private organisation 62% of the respondents cited reasons for voluntary turnover versus retention as being remuneration. Bamberger and Meshoulam (2000) and MacDuffie (1995) noted that an organisation's reward and compensation system can have an effect on the performance of employees and their desire to remain employed in the organisation.

#### **b) CAREER DEVELOPMENT OPPORTUNITIES**

Career development opportunities are widely regarded as one of the most significant determinants of employee retention. Literature has confirmed that organisations need to strengthen their relationship with their employees and need to significantly invest in the growth of these employees (Hall and Moss, 1998; Hsu, Jiang, Klein & Tang, 2003; Steel *et al.*, 2002; Woodruffe, 1999). However, it is essential to note that this does not, or not only, include the formation of opportunities for promotion within the organisation. There is a need to incorporate and allow opportunities for training and skill development thereby, allowing employees to enhance their employability in the labour market as well as increasing their competencies (Butler & Waldrop, 2001). Other prominent factors concerning career development cited by Roehling *et al.* (2000) are the provision of coaching and mentoring, providing career management workshops and the arrangement of competency management programs. Employees' perceptions of growth opportunities offered by an organisation can effectively reduce turnover (Allen, Shore & Griffeth, 2003). In addition, Steel *et al.* (2002) reported that empirical research have presented that a lack of training and development and promotional opportunities are frequently cited as a reason for high-performers to leave the organisation.

Agarwal and Ganjiwale (2009) identified that 46% of the sample cited that a lack of career development opportunities will result in them leaving the organisation. Shoaib *et al.* (2009) identified a significant relationship between career development opportunities and employee retention asserting the correlation value of career opportunities as 0.635 and the beta value as 0.252. This highlights the fact that if organisations present more career opportunities then

employee retention will be significantly enhanced. Thus, the findings confirm that employees feel the need to be retained in an organisation where their employment is well defined, where they are provided with adequate opportunities to grow, are given a range of professional experiences and encounters and an in-depth functional and geographic exposure is made available including more targeted opportunities. Such desirable offers lead employees to remain in their current career and continue to grow in their organisation. Hall (2002) noted that career development is a key aspect for the employer and employee. In addition, various authors confirmed the mutual benefits and outcomes provided by career development (Hall, 1996; Kyriakidou & Ozbilgin, 2004). Prince (2005) reiterated that organisations need talented employees in order to sustain a competitive advantage and employees are in need for career opportunities to develop and grow their knowledge, skills and abilities.

### **c) JOB CONTENT**

The third determinant of retention is associated to employees' job content, particularly relating to the provision of stimulating and momentous work. Mitchell *et al.* (2001) and Pfeffer (1998) assumed that employees do not just work for the money but they also work towards creating a purpose and satisfaction in their life. Employees possess a solid need to provide excellent results to the organisation by taking on relevant, difficult challenges. However, when employees find that their job largely comprise of the repetitive-based performance of responsibilities, there is a greater possibility of de-motivation and will result in relatively high turnover. Steel *et al.* (2002) noted that organisations can impact retention rates by thinking carefully about which tasks to include in which jobs; Buttler and Waldrop (2001) have referred to this as job sculpting. Horwitz *et al.* (2003) and Steel *et al.* (2002) established that there is growing evidence that job content is a key dimension impacting on employee outcomes such as organisational citizenship behaviour, performance and commitment. Agarwal and Ganjiwale (2009) noted that 42% of their sample cited that job content influenced their reason to remain within the organisation. Horwitz *et al.* (2003) identified that programs aimed at improving the intrinsic qualities of the job are popular type of retention practices.



#### **d) SOCIAL ATMOSPHERE**

The work environment, referred to as social atmosphere, is the fourth retention factor considered by researchers. This factor refers to the social ties established within this environment (De Vos *et al.* (2006). Various studies have attempted to explore work environment in various fields, namely, employee turnover (Martin 1979), job satisfaction (Iaffaldano & Muchinsky, 1985), employee turnover, job involvement and organisational commitment (Sjöberg & Sverke 2000). Zeytinoglu and Denton (2005) noted that the work environment is another determinant that affects an employee's decision to remain in the organisation. Cappelli (2001) noted that employees are no longer loyal to the organisation. However, employees remain loyal to fellow colleagues thereby, acting as a vehicle for employee retention. A loss in the social network takes place once an employee quits the organisation and has been noted that a key factor for retaining talent is the social contact which takes place between employees and departments. In order to create a positive social atmosphere, Roehling *et al.* (2000), confirmed that organisations effectively contribute by stimulating mutual and interactive cooperation among employees by displaying open and honest communication channels between the employer and employee.

Agarwal and Ganjiwale (2009) found the correlation value of work environment as 0.587 and the beta value as 0.269. The study reveals a significant relationship between work environment and employee retention. This confirms that if employees are working in a good environment then it will provide a positive impact on employee retention, implying the affect of work environment on employees is great. Thus, the findings effectively reveal that happy employees effectively keep active to perform and accomplish a variety of job tasks. In essence, there is a fundamental need to recognise the emerging requirements of employees to ensure that they remain committed which is necessitated by the work environment (Ramlall, 2003). Shoaib *et al.* (2009) noted that employees enjoy working and strive to work in those organisations that provide a positive work environment.

#### **e) WORK-LIFE BALANCE**

The facilitation of work-life balance is regarded as the fifth retention factor. Employees often battle in the conflict between work and their private life whereby work and their career overlaps into their private life. Due to this conflict, there is currently an increasing demand for the creation of flexible work patterns. The creation of a flexible workforce would positively affect the reduction of the work-family conflict overall, in general, increasing employee satisfaction (Kossek and Ozeki, 1998). Cappelli (2001) and Mitchell *et al.* (2001) noted that the current generations of employees are attaching a great deal of importance to the quality of lifestyle due to increasing pressures faced on the job; therefore, organisations need to ensure that HR policies address the need of work-life balance.

Grover and Crooker (1995) noted that researchers have tested the impact of work and family benefits which comprise of parental leave, flexible schedules and child care support. The research revealed that greater organisational commitment is present when employees are provided with access to such policies; consequently, employees possess a lower intent to leave the organisation. Research has indicated that non-work factors such as burnout and stress made a great impact on employees which lead to them leaving the organisation. Agarwal and Ganjiwale (2009) found the correlation value of work-life policies as 0.580 and the beta value as 0.215. This reveals that work-life policies have a significant impact on employee retention. In addition, the research also highlighted that employee retention plays a significant role of obtaining a balance between work and life, which influences and encourages an employee's decision to remain with the organisation.

A strategic concern for HR is why employees remain or stay in the organisation. Gaining an insight into these factors are significant in determining whether employee retention is vital for HR in order to work out retention policies and procedures that are effective at both the organisational and individual level. Agarwal and Ganjiwale's (2009) employee survey indicated career development as an essential retention factor; thus, career development prevents employees from leaving and indeed increases employee commitment significantly. In order for employees to remain committed and loyal, it is crucial that organisations and human resources place great effort in retention policies by emphasising job content and social atmosphere. Both of these

factors are regarded as predictors of employee loyalty and essentially prevent employees from leaving. Agarwal and Ganjiwale's (2009) study identified that HR managers need to take into consideration what employees value, including how employees evaluate an organisation's efforts towards retention management.

It is effective to understand why employees remain in the organisation. Mitchell, Holtom, Lee, Sablinski and Erez (2001) examined how employees become embedded in their career and communities. The participation of employees in their careers results in the development of a web of connections and relationships. Leaving a career requires employees to rearrange or sever such relations. Allen (2008) noted that employees who are embedded have various reasons to remain in the organisation. Mitchell *et al.* (2001), cited in Allen (2008), established three types of connections which promote embeddedness, namely, links, fit and sacrifice.

- Links refer to relationships which employees establish with groups, people and the organisation, namely, relationships with co-workers, mentors, people, friends and relatives. Employees with various connections are more embedded and may find difficulty to leave the organisation.
- Fit symbolises the extent to which employees are compatible to their careers, organisation and their community. It is essential for employees to have the right fit in the career and in order to keep them motivated and committed.
- Sacrifice acts as a representation of values which employees will have to trade off, should they leave their employment. Such sacrifices based on tenure include perks, financial rewards and promotional opportunities. Mitchell *et al.* (2001) established that the more sacrifices an employee endures results in an increase of embeddedness; therefore, they are more likely to remain in the organisation.

### **3.6. EMPLOYEE RETENTION STRATEGIES**

Top performing employees, commonly referred to as high performers, are crucial for organisations in order to effectively achieve and attain goals and objectives. In order for this to occur, it is imperative that organisations which are struggling to retain top performing employees enhance their retention strategies and manage the expectations of their employees.

Inherently, these retention strategies vary from legislations provisioned by government to the public sector whilst private organisations design and implement employee retention strategies, positioning the organisation as an employer of choice; thus, attracting and retaining talented employees (Samuel, 2008).

Retention strategies assist organisations by reducing the incidence of turnover. Once the right employees are sourced, the retention practices developed acts as an effective tool of support. Essentially, a strategic approach to employee retention management requires organisations to adopt various methods and practices to attract, retain and strengthen the ability of businesses in their workforce namely, employee engagement, formation of flexible work schedules and healthy workplaces (Government of Yukon, 2008). Top management along with HR professionals are key stakeholders in the implementation of retention strategies. Retention strategies are, therefore, required to be incorporated as a strategic responsibility (Samuel, 2008). Ettore (1997) noted that turnover can be managed effectively by initiating an effective and sustainable retention policy by incorporating an efficient talent acquisition process whilst canvassing the concept of strategic staffing. In a Harvard University study conducted by Mengel (2001), it was identified that nearly 80% of employee turnover occurs due to hiring mistakes made in the recruitment process. Thus, in order to avoid this mistake there is an expectancy of increased honesty during the talent acquisition thereby, closing the expectation gap that results in the turnover of talented and competent employees. Furthermore, Allen (2008) contented that evidence in research suggests that recruitment strongly influence turnover.

Allen (2008) noted that HR professionals and organisations need to determine targeted strategies which are more specific drivers of turnover. In order to develop a targeted strategy, organisations need to gather pertinent data from various sources, namely, a) exit interviews and b) post-exit surveys.

#### **a) EXIT INTERVIEWS**

In formulating a realistic retention policy, exit interviews need to be conducted by organisations, providing information on why employees leave the organisation. Exit interviews have become popular as they generate immediate information on the reason for leaving.

Thus, organisations can salvage a high performing and valuable employee (Allen, 2008). Harris (2000) noted that the information generated from the exit interview is passed on to senior executives of the organisation whom essentially is involved in the development and execution of retention policies.

Samuel (2008) noted the Corporate Leadership Council survey, conducted in the United States of America, identified that 70% of all data generated from exit interviews can be utilised effectively to benefit the organisation; however, the survey revealed that 13% of such data is ever acted upon. Moreover, organisations are vehemently losing talented employees. Thus, organisations are uncertain about employees who are leaving and the reasons behind why or where they are going to; essentially this is the reason why conducting exit interview becomes crucial.

## **b) POST EXIT SURVEYS**

Allen (2008) noted that in light of exit interviews, where employees experience difficulty in being objective and candid, organisations need to embark on post exit surveys to gather similar information. In essence, this should occur sometime after the employees' departure from the organisation. The data should be collected using a neutral source and essentially emphasise confidentiality.

Ramsay (2006) and Vance (2006) noted that strengthening employee engagement is crucial in retaining talent. It has been noted that engaged employees often display increased satisfaction levels in their job whilst enjoying the work they perform and hold the belief that their career and job is important to them. Amongst these characteristics displayed, engaged employees also take pride in their organisation and are also aware that they are valued by their employer. A report conducted at Intuit, measuring employee engagement revealed that engaged employees were five times less likely to leave the organisation.

Due to the high mobility of employment, retention strategies on its own cannot warranty continuous loyalty of employees. Therefore, organisations need to implement an employment retention strategy that will effectively retain high potential employees for the best possible utilisation, provided that it is mutually beneficial to both the organisation and the individual

employee. An effective retention management strategy will ensure that key employees are retained until such a time when they would have justified the huge investment made in them by their employers. It is essential that managers utilise employees optimally so that they are able to contribute meaningfully to the successful accomplishment of organisational goals and objectives (Samuel, 2008). According to Allen (2008) in order to gain the most from a retention management plan, organisations need to:

- Understand and analyse the nature of turnover and the problems associated with the organisation.
- Be aware of research findings on the drivers of employee turnover and understand turnover intentions and behaviour.
- Identify the most important and manageable drivers of turnover.
- Design, implement, and evaluate strategies to advance employee retention in ways that meet the organisation's unique values and needs.

### **3.7. CONCLUSION**

Chapter Three presented a theoretical overview of employee retention. The concept of employee retention was widely discussed and various models of employee retention were further explored. Subsequently, the concept of employee turnover was evaluated, which further examined employee turnover, outlining the various type of turnover. Following this, employee intentions and the causes of employee turnover were further elucidated. This chapter further progressed onto discussing the factors affecting employee retention; thus, looking at human resource factors as a key determinant of employee retention. The chapter concluded by discussing effective employee retention strategies which are imperative for organisational success to manage and ultimately reduce employee turnover.

## **CHAPTER 4**

### **THE RESEARCH DESIGN**

#### **4.1. INTRODUCTION**

This study aims to determine whether there is a significant relationship between the psychological contract and retention of staff. To support the literature review undertaken in the previous chapters, an empirical analysis will be undertaken. This chapter presents the main methods and techniques that encompass the research methodology adopted. It details the sampling technique and composition of the sample, data collection design and the processing and analysis of the data. The psychometric properties of the questionnaire (reliability and validity) are also discussed.

#### **4.2. RESEARCH DESIGN**

Once the variables of the study within the problem situation and the theoretical framework have been identified, the preceding step of the study is to design the research in a manner in which data can be collected and further analysed (Sekaran, 2003). Zikmund (2003) noted that a research design acts as a master plan, detailing the methods and procedures required for collecting and analysing required information. Mouton and Prozesky (2005, p. 74) confirmed that a research design is “a plan or a blue print of how a researcher intends to conduct a study”. Ghauri and Gronhaug (2005) cited that a research design should effectively produce the required information within the constraints placed upon the researcher, namely, time, budget, and skills. Likewise, Blanche, Durrheim and Painter (2006) suggest that a research design acts as a strategic framework, which essentially directs the research and ensures that rigorous conclusions are reached. In essence, a research design assists the researcher on the type of data to be collected and how to analyse and process the data in order to answer the research problems developed.

##### **4.2.1. QUANTITATIVE RESEARCH**

The current study is a quantitative research, which quantifies the relationships between variables, namely, the psychological contract and retention of staff. The current study is also descriptive. A descriptive study is “undertaken in order to ascertain and be able to describe the characteristics

of the variables of interest” (Sekaran, 2003, p. 121). The time horizon for the research is cross-sectional. Sekaran (2003, p. 135) cited that a cross sectional study is “a study in which data are gathered just once perhaps over a period of days or weeks or months in order to answer a research question”. Quantitative research is defined as “a form of conclusive research involving large representative samples and fairly structured data collection procedures” (Struwig & Stead, 2001, p. 4). The main purpose of a quantitative research identified by Zikmund (2003) is to establish the extent of a phenomenon including its quantity in the form of numbers. Likewise, Amaratunga, Baldry, Sarshar and Newton (2002) noted that quantitative research uses numbers rather than words and develops and tests hypotheses.

Quantitative methods are regarded as cost-effective when a study uses a large sample. In addition, when large samples of the target population are used within quantitative research, the findings can be statistically analysed. The current study uses a questionnaire to gather information and to clarify occurrences. Sibanda (2009) outlined the characteristics of quantitative research as:

- The researcher is able to develop clearly defined research questions to which objective answers are required.
- All aspects concerned in the research are precisely designed before the collection of data.
- Data collected is presented in the form of statistics and numbers.
- The research can essentially be used to generalise concepts, predicting future results whilst further investigating casual relationships.

#### **4.2.2. SAMPLING TECHNIQUE AND DESCRIPTION OF SAMPLE**

The population forms part of the study and may consist of individuals, groups, human products and organisations. The hypothesis prevalent in the study will postulate the relationship with the variables within the population (Welman, Kruger & Mitchell, 2007). The term population refers to the “full set of cases from which the sample is taken” (Welman *et al.*, 2007, p. 53). It is imperative to note that the research problem directly relates to the specific population in which a researcher wishes to make specific conclusions (Welman *et al.*, 2007). Burns and Grove (1999) indicated that a population includes all elements, namely, events, objects and individuals which match the sample criterion for inclusion within the study.



A sample is a subset of the population, comprising of some members. Within a research study the process of sampling refers to “selecting a sufficient numbers of elements from the population so that the study of the sample and the understanding of its properties or characteristics would make it possible for us to generalise such properties or characteristics of the population elements” (Sekaran, 2003, p. 276). Sekaran (2003) also notes that research findings need to be applicable from one organisational situation to another. This implies that the applicability of solutions found in the study which are generated by the researcher will be more valuable and practical to users. One of the reasons for sampling noted by Sekaran (2003) is that “a study of the sample rather than the entire population is also sometimes likely to produce more reliable results” (Sekaran, 2003, p. 52).

The study will focus on the largest financial institution in South Africa. This institution is based in the province of Gauteng with a head-office in the Johannesburg CBD and houses a staff complement of 1400 employees within the retail IT sector, where the research will be conducted. The population size will be determined by the staff complement of the retail IT group. Sekaran (2003) indicates that the corresponding sample size, for the population size of 1400 is 302.

The target population for this study are the employees of the banking industry within the retail information technology (IT) who make up the elements. IT is an evolving area, with technology and systems rapidly progressing. Employees within this industry are continuously looking for new opportunities and challenges and hence, their skills can be classified as scarce skills. Therefore, organisations need to work on a strategy to retain these highly skilled and marketable employees.

Researchers need to identify the sampling methodology which is required. There are two general categories of sampling methodologies, namely:

- Probability sampling
- Non-probability sampling

In the case of probability sampling, Welman *et al.* (2007) notes that researchers can determine the probability of the population or member which will be included in the sample. Probability sampling includes simple random sampling (unrestricted) or restricted probability sampling.

Probability sampling is regarded as the only type of samples where results can easily be generalised. In contrast, in non-probability sampling, “elements in the population do not have any probabilities attached to being chosen as sample subjects” (Sekaran, 2003, p. 276). This method of sampling cannot be generalised to the population. Non-probability sampling includes convenience sampling, judgment sampling and quota sampling.

The sampling method used in this research is non-probability sampling. Sekaran (2003) cited that in this type of sampling there are no probabilities attached for the elements in the population to be chosen. The type of non-probability sampling used in this study is convenience sampling. Convenience sampling is defined as “the collection of information from members of the population who are conveniently available to provide it” (Sekaran, 2003, p. 276). Convenience sampling is used when members are easily accessible as the chosen subjects. Thus, this method of sampling is characterised as a quick, less expensive and as the name suggests a convenient method (Sekaran, 2003). In non-probability sampling subjects are not chosen randomly and hence, a drawback experienced with this method of sampling is that the findings are not generalisable (Babbie & Mouton, 2001).

The composition of the sample utilized in this study may be described in terms of the biographical variables (Table 4.1).

**TABLE 4.1**  
**COMPOSITION OF SAMPLE**

<b>Variable</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>	18-25	13	4.3
	26-35	103	33.9
	36-45	100	32.9
	46-55	64	21.1
	>55	24	7.9
<b>Type of work</b>	General Staff	103	33.9
	Junior Management	66	21.7
	Middle Management	88	28.9
	Senior Management	45	14.8
	Executive Management	2	0.7
<b>Gender</b>	Male	140	46.1
	Female	164	53.9
<b>Marital Status</b>	Married, or living as married	211	69.4
	Not married, not living as married	93	30.6
<b>Race</b>	Black	57	18.8
	White	149	49.0
	Indian	53	17.4
	Coloured	37	12.2
	Other	8	2.6
<b>Tenure</b>	0-2 years	64	21.1
	3-7 years	121	39.8
	8-12 years	47	15.5
	13-17 years	24	7.9
	>18 years	48	15.8

The composition of the sample will be depicted using pie diagrams and column and bar graphs.

**FIGURE 4.2**  
**COMPOSITION OF SAMPLE BY AGE**

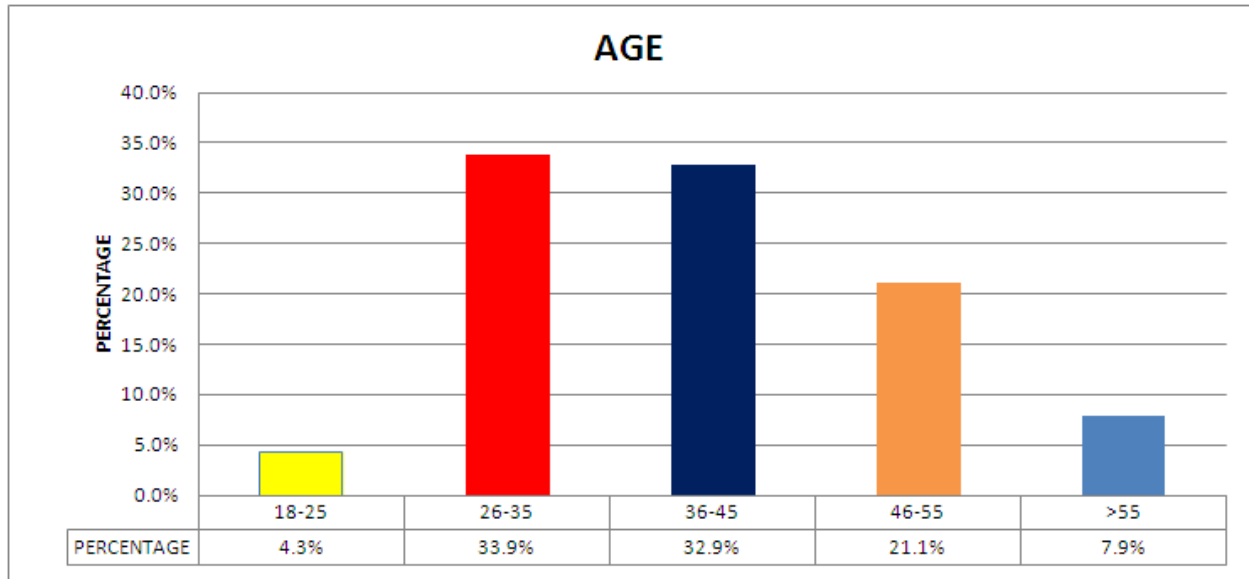


Figure 4.2 illustrates the composition of the sample in terms of age. The highest percentage of respondents (33.9%) were from the 26-35 years category, followed by those who are 36-45 years (32.9%), 46-55 years (21.1%), >55 years (7.9%) and then those employees who are 18-25 years (4.3%). It is evident that the majority of the employees are between the ages of 26–55 years.

**FIGURE 4.3**  
**COMPOSITION OF SAMPLE BY RACE GROUPS**

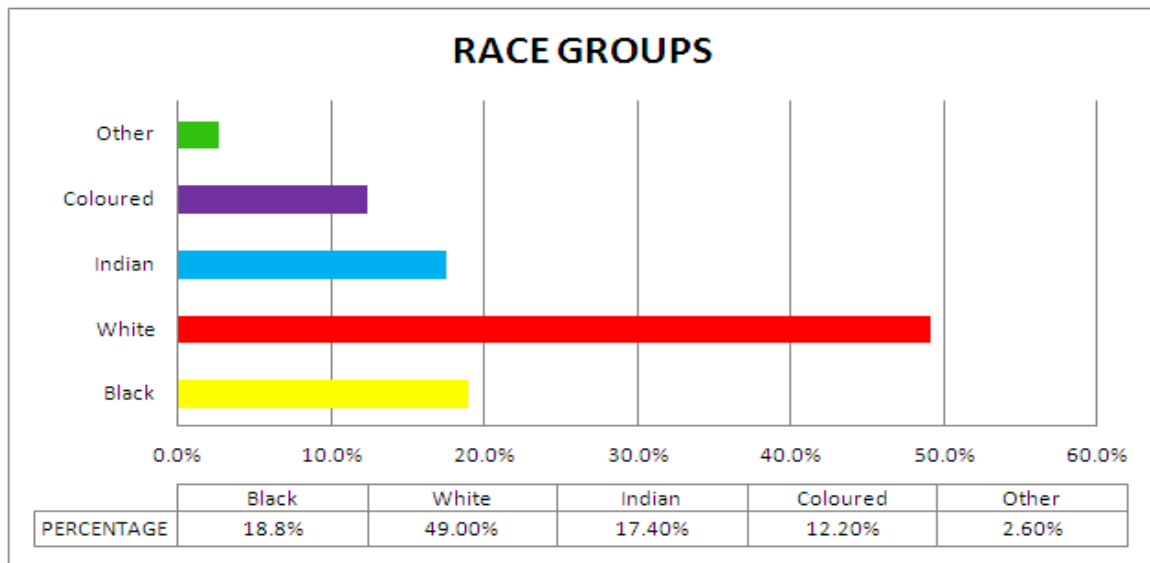


Figure 4.3 illustrates the composition of the sample according to race groups. It is clear that the highest percentage of respondents (49.00%) are Whites, followed by Indians (17.40%), Blacks (18.8%), Coloureds (12.20%) and other (2.60%).

**FIGURE 4.4**  
**COMPOSITION OF SAMPLE BY TENURE**

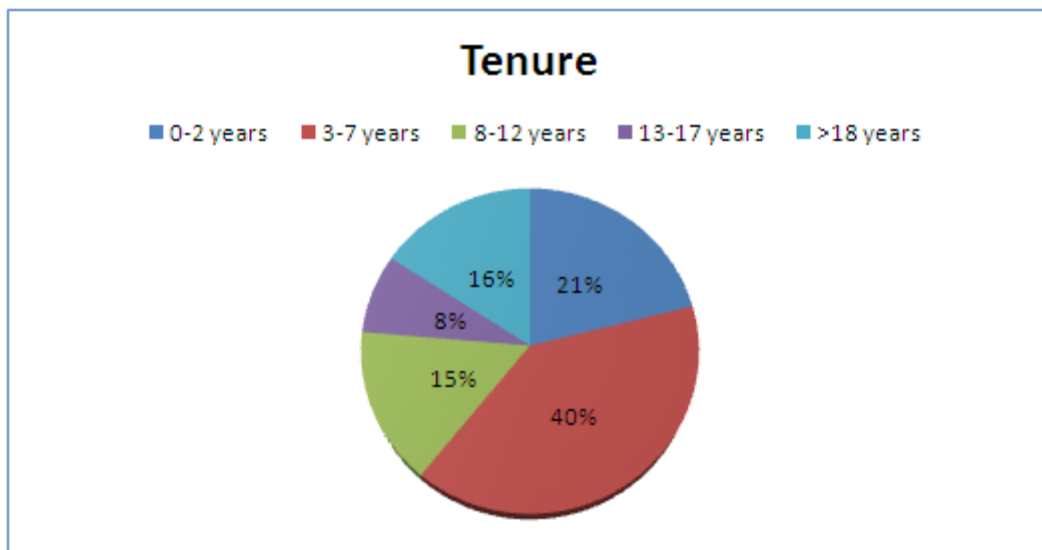


Figure 4.4 illustrates the composition of the sample according to tenure. It is clear that the highest percentage of respondents (40%) are serving the organisation for 3-7, followed by those with a tenure of 0-2 years (21%), >18 years (16%), 8–12 years (15%) and then 8–12 years (8%). It is evident that the majority of the respondents have 3-7 years of service.

**FIGURE 4.5**  
**COMPOSITION OF SAMPLE BY EDUCATION LEVELS**

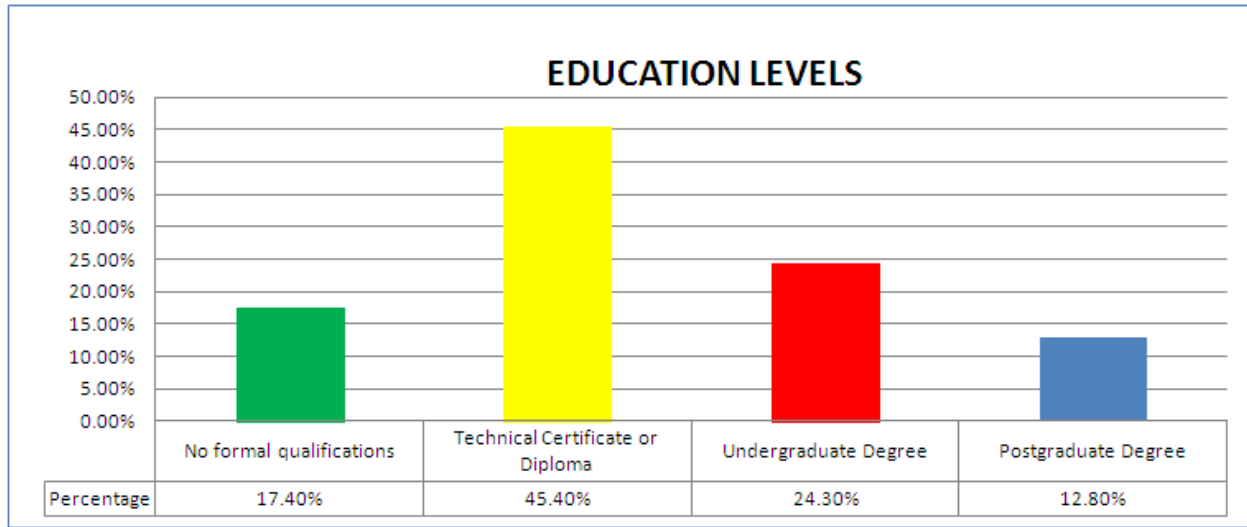


Figure 4.5 illustrates the composition of the sample according to education levels. It is indicated that 45.4% of the respondents possess a technical certificate or diploma, 24.3% has an undergraduate degree, 17.4% of the respondents do not have any formal qualifications and 12.8% possess a postgraduate degree, It is evident that the majority of respondents have some type of qualification.

### **4.3. DATA COLLECTION**

An integral part of the research design is data collection. Data can be collected by using various methods (Sekaran, 2003). The process of gathering relevant information about the subject from research participants is referred to as the data collection process.

Researchers may obtain data from primary and secondary sources. Information which is obtained by the researcher at firsthand is classified as primary data. Data which is gathered from existing sources is referred to as secondary data. This study will focus on the use of secondary data obtained from journal articles, dissertations, internet, websites and text books (Sekaran, 2003) as well as primary data. Primary data will be collected by the use of a questionnaire that measures employees' intention to leave the organisation.

#### **4.3.1. QUESTIONNAIRE**

Questionnaires are an effective tool in examining and explaining relationships between variables, namely, the cause and effect relationships. The choice of questionnaire used will be an electronically mailed questionnaire.

##### **4.3.1.1. DEFINITION AND NATURE OF A QUESTIONNAIRE**

A questionnaire frequently consists of a number of measurement scales and extracts demographic information from respondents and is defined as a “preformulated written set of questions to which respondents record their answer usually written or rather closely defined alternatives” (Sekaran, 2003, p. 236). The questionnaire design is imperative and solely focuses on three critical aspects:

- Wording of questions.
- Measurement
- The general appearance of the questionnaire.

During the data gathering process it is critical that ethical considerations are addressed (Sekaran, 2003). In this study, questionnaires will be e-mailed. This method allows for the questionnaire to be mailed to the participant, via e-mail. According to Sekaran (2003), the advantage of this type of data collection allows the respondents to complete the questionnaire in their own convenience and at their own pace. Sekaran (2003) noted that mail questionnaires receive a better response rate, provided that respondents receive further notification of the forthcoming questionnaire.

##### **4.3.1.2. DESCRIPTION OF THE QUESTIONNAIRE**

In this study, the questionnaire used is from a study conducted by Donald Cable in his Doctoral research entitled “The Psychological Contract: The Development and Validation of a Managerial Measure” from the University of Waikito, New Zealand. The questionnaire is specifically designed to answer the hypotheses set out at the beginning of the study and is derived from the works of Cable (2008). The purpose of the questionnaire is to gain a perspective of respondents’ perceptions of the psychological contract and intention to leave.

The questionnaire is divided into 3 sections:

Section 1 of the questionnaire gathers all demographic/biographical details of the respondents to obtain the biographical details of the respondents. Biographical details included are gender, age, organisational level and tenure.

Section 2 gathers data on respondents' perceptions of the psychological contract in terms of assessing the expectations they have of the organisation and what they believe that is expected of them from the organisation.

Section 3 of the questionnaire probes respondents' views on employment issues. The following areas are questioned:

- Career status
- Intention to seek alternative employment
- Commitment to your current organisation
- Involvement in your current job
- The support your organisation provides
- How well you believe your values match your organisation's?
- How satisfied are you with your current job?
- How important work is to you?

Cable (2008) developed a scale titled "The Psychological Contract: The Development and Validation of a managerial measure" which measures and assesses employee perceptions of the psychological contract. These were measured on a 1 to 7 point rating scale. Below is a representation of the rating scales used by Cable (2008).



The scale below will be used to determine:

- The obligations that employees perceive that organisation has to provide.
- The expectations the respondents believe the organisation has of them.

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>No Obligation</b>	<b>Minor Obligation</b>	<b>Some Obligation</b>	<b>Reasonable Obligation</b>	<b>High Obligation</b>	<b>Very High Obligation</b>	<b>Extreme Obligation</b>

The scale below will be used to determine respondents' views on employee issues.

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Slightly Disagree</b>	<b>Neither Disagree or Agree</b>	<b>Slightly Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>

The scale below will be used to determine the importance of respondents having their expectations met.

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>No Importance</b>	<b>Minor Importance</b>	<b>Some Importance</b>	<b>Reasonable Importance</b>	<b>High Importance</b>	<b>Very High Importance</b>	<b>Extreme Importance</b>

The study is undertaken to determine the relationship between the psychological contract and retention of staff. In order to remain competitive, organisations are continuously making strategic changes to human resource practices; thus, affecting the employment relationship (Aggarwal & Bhargava, 1999). The psychological contract is an effective tool in assessing and describing the impact of these changes towards retaining employees.

#### **4.3.1.3. ADMINISTRATION**

The questionnaires were e-mailed to all IT employees within the financial institution, which forms the population. The e-mail addresses were obtained from the financial institution and then e-mailed directly from the Communication Department. An electronic questionnaire was developed on Questionpro, once completed, the questionnaire and the data was immediately saved in Questionpro. To ensure a good response rate, frequent notifications were forwarded to respondents. Preceding this, a communication was sent to the population which will serve as a communication to create awareness around the questionnaire. The questionnaire is an electronic questionnaire and will approximately 20 minutes to complete. Subsequently, at the end of the data collection process and once all the responses representing the reflective sample size have been collected, a follow up e-mail will be sent to thank the respondents for participating in the research.

#### **4.4. IN-HOUSE TESTING (PRETESTING) AND PILOT TESTING**

In order to improve the reliability of a measure it is essential to use a pretest or pilot test.

##### **4.4.1. IN-HOUSE PRETESTING**

Sekaran (2003) noted that it is imperative to pretest the data collection instrument, namely, questions of a structured interview or questionnaires, in order to determine whether the questions are understood by respondents. This ensures that no ambiguity is present in the questions. Thus, pretesting guarantees that there are no problems with the wording or measurement of the questionnaire. The process of pretesting involves the utilisation of a “smaller number of respondents to test the appropriateness of the questions and their comprehension” (Sekaran, 2003, p. 249).

According to Synodinos (2003), it is essential that pretests are conducted systematically with potential respondents and ensuring that the same method of administration is utilised. In addition, it is favourable to pretest the questionnaire with specialists in question construction. This will allow for potential difficulties to be identified which might not be revealed in a pretest with respondents. In this study, the questionnaire will be pretested in-house by asking specialists to review the items and their relevance

#### **4.4.2. PILOT TESTING**

According to Moerdyk (2009), once the items and response format have been decided it is imperative that the preceding stage is to administer a measure to a sample, which is similar to the sample for who it is designed for. In this study, a pilot test will be conducted with a maximum of 12 respondents to ensure the accuracy and effectiveness of the questionnaire is present. There are several differences between the pilot session and the final session. Neuman (2005) noted that most quantitative researchers utilise pilot tests. On the completion of pilot tests, researchers need to conduct interviews amongst the subjects to identify aspects of the experiment and instrument which requires refinement (Neuman, 2005).

#### **4.5. DATA ANALYSIS**

In order to provide findings of interest, a researcher is required to organise and manipulate quantitative data. Analysing quantitative data is a complex process where data is collected using a variety of techniques to interpret and provide theoretical meaning. In this study, both descriptive and inferential statistics are used to analyse data.

##### **4.5.1. DESCRIPTIVE STATISTICS**

Welman *et al.* (2007, p. 231) notes that descriptive statistics “are concerned with the description and/or summary of the data obtained for a group of individual units of analysis”. The utilisation of descriptive statistics includes the transformation of raw data. This provides information which is essential to explain a set of factors in a situation. In addition, the information is provided through manipulation and the ordering of the data. Descriptive statistics provide information through measures of central tendency, frequencies and dispersion (Sekaran, 2003.)

##### **4.5.1.1. FREQUENCIES**

Sekaran (2003) suggests that frequencies are used to describe the number of times a phenomenon of various sub-categories occurs. From this, the cumulative percentage and percentage can be calculated. The frequency distribution is the easiest method to describe numerical data by using various types of graphic representations, namely, histograms, pie charts and bar charts (Neuman, 2003). In this study, frequencies will be used to describe the biographical details of respondents.

#### **4.5.1.2. MEASURES OF CENTRAL TENDENCY**

Research identifies three measures of central tendencies, namely, mean, median and mode. Measures of central tendency are often utilised to summarise information, which is essential for research studies (Neuman, 2003). The mean is referred to as the average and is a widely used measure of central tendency and provides a general picture of the data. The mean is calculated by adding a list of scores and dividing by the total number of the scores (Neuman, 2003; Sekaran, 2003; Welman *et al.*, 2007).

The median is often referred to as the middle point within a group of observations when arranged in ascending or descending order (Sekaran, 2003). The mode is regarded as one of the easiest measures of central tendency to use and refers to most frequently occurring phenomenon (Neuman, 2003; Sekaran, 2003). Babbie and Mouton (2001) confirms that this measure of central tendency is a way of presenting data in the form of a summary of averages. In this study, the measures of central tendency will be used to assess the perceptions of employees on the psychological contract.

#### **4.5.1.3. MEASURES OF DISPERSION**

Measures of central tendency provide information about the scores on the distribution. However, on the distribution there are various different shapes although the same central tendency is present. A measure of dispersion or variability provides information concerning the spread of scores in the distribution. Measures of dispersion looks at whether the scores are clustered close together or clustered over a small portion of the scale or spread out over a large segment of the scale. The concept of dispersion provides the variability that exists in a set of observations. There are three measurements of dispersion concerned with the mean, namely, variance, standard deviation and range (Neuaman, 2005; Sekaran, 2003).

- **Range**

The range is considered the difference between the largest and the smallest observation in the data. According to Manikandan (2011), the advantage of this measure of dispersion is that it is easy to calculate. Sekaran (2003) also noted that the range concerns the extreme values in a set of observations.

- Variance

Variance refers to the square of the standard deviation and can be calculated by subtracting the mean from each observation, taking the square of the difference and dividing the total by the number of observations. It is noted that when interpreting variance, the smaller the variance the greater the uniformity; thus, the larger the variance the greater the variability (Sekaran, 2003).

- Standard deviation

This measure of dispersion is regarded as the most commonly used measure and is computed by the square root of the variance. It is imperative to note that the values of the mean and standard deviation are to be relatively similar (Sekaran, 2003).

In this study, the measures of dispersion will be used to assess respondent's perceptions of the psychological contract and the retention of staff.

#### **4.6. INFERENCE STATISTICS**

Welman *et al.* (2007) noted that inferential statistics concerns itself with inferences that can be derived from the population indices and samples. Neuman (2005) confirmed that inferential statistics are essential in testing hypotheses, to determine if a sample holds true in a population and also determine the differences in the results produced. In addition, inferential statistics assist in:

- Determining the relationship between two variables.
- Identifying differences in a variable among different subgroups.
- Explaining the influence of several independent variables on a dependent variable (Sekaran, 2003).

##### **4.6.1. CORRELATIONS**

Researchers are often interested in determining and establishing the relationships between variables of interest. This is concerned with determining the nature, direction and significance of the two variables, namely, bivariate relationships. In order to determine this, Spearman correlation was used to determine the relationship between variables. Here the correlation is derived from assessing the variations of the variable (Sekaran, 2003). Welman *et al.* (2007) noted that this statistical measure is essential in measuring the degree of association between

ratios and can be represented in a scatter diagram. This method is effective in explaining and describing the relationship between the psychological contract and retention of staff.

#### **4.6.2. MANN-WHITNEY U TEST**

The Mann-Whitney U test was used to compare the mean ranks between the categories for each variable. In this study, the U test is utilised to determine whether male and female employees and those varying in marital status differ significantly in their perceptions of the psychological contract and their intention to leave the organisation.

#### **4.6.3. ANOVA**

Analysis of variance (ANOVA) assists in examining the significant mean differences between two or more groups. The results produced by ANOVA indicate whether the means of various groups presents a significant difference. This can be computed by using Kruskal-Wallis one-way ANOVA (Sekaran, 2003). In this study, ANOVA will be used to assess whether employees differing in biographical profiles (age, type of work, race, tenure, levels of contract type of employer) significantly differ in their perceptions of the psychological contract and their intention to leave.

### **4.7. STATISTICAL ANALYSIS OF THE QUESTIONNAIRE**

Reliability and validity are essential concepts concerned with all scientific measurements. These concepts are indicative of how concrete the indicators and measures are. However, it is virtually impossible to achieve perfect reliability and validity.

#### **4.7.1. VALIDITY: FACTOR ANALYSIS**

Golafshani (2003) noted validity refers to the accuracy of measurement and measure what it is intended to measure. Moerdyk (2009, p. 47) confirmed that validity is “concerned with the extent to which the measure is free of irrelevant and contaminating influences”. Sekaran (2003) also confirms that validity concerns itself with the issue of authenticity. Validity refers to measuring what we are supposed to measure and not something else. Therefore, it is imperative to conduct validity tests (Sekaran, 2003). The concept of validity refers to the degree to which the research findings accurately represent what is really happening in the situation (Welman, *et al.*,

2007). Wainer and Braun (1998) describe validity in quantitative research as construct validity. Construct validity refers to the notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered. In addition, construct validity asserts that quantitative researchers actively cause or affect the interplay between construct and data. This occurs in order to validate the investigation, usually by the application of a test. Similarly, the involvement of the researchers within the research process would to a great extent reduce the validity of a test (Golafshani, 2003). In this study, validity will be assessed using Factor Analysis.

Sekaran (2003) noted that factor analysis assists in reducing a vast number of variables to a meaningful set of factors. Neuman *et al.* (2005) confirmed that factor analysis produces factor scores which are used as weights in creating index, which represents the strength of each indicator and is associated with an unobserved factor. Bryman and Bell (2008) cited that within quantitative research the researcher is largely concerned that the findings of the study can be generalised. Research which is generalised goes beyond the context of which the study was carried out.

#### **4.7.2. RELIABILITY: CRONBACH'S COEFFICIENT ALPHA**

The concept of reliability is defined as the extent to which any measurement procedure is able to produce the same results on repeated trials. In essence, reliability refers to the stability or consistency of scores. Joppe (2000) defines reliability, cited by Golafshani (2003, p. 598), as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. Neuman (2005) confirms that reliability addresses the question of, does the instruments provide and deliver the same response and answer when applied to different groups and observations. There are three important factors to consider if the measure is reliable, namely, stability, internal reliability and inter-observer consistency (Welman *et al.*, 2007). The test-retest method is the most obvious way of testing the stability of measures (Bryman & Bell, 2007). The use of a pretest and pilot test in this study will ensure its reliability.

In this study, Cronbach's Coefficient Alpha will be used to establish the consistency of the questionnaire. Sekaran (2003) cited that Cronbach's alpha is a reliability coefficient which provides an indication of how well an item in a set is positively correlated to another. Cronbach's alpha is calculated in terms of intercorrelations among the items measuring the concept. In addition, the closer Cronbach's alpha is to 1, indicates greater internal consistency reliability.

#### **4.8. CONCLUSION**

Chapter four presented the research design for this study. The main areas of this chapter focused on the method and techniques adopted in the study and elucidated the sampling design and data collection method. The chapter incorporated the sampling technique and composition of the sample, the data collection design and analysis of data. Subsequently, the chapter concluded by discussing the psychometric properties of the questionnaire (validity and reliability).



## CHAPTER 5

### PRESENTATION OF RESULTS

#### 5.1. INTRODUCTION

This chapter deals with the presentation of results and provides an analysis of the findings. In this study, inferential and descriptive statistics were carried out. Inferential statistics was analysed at the 1% and 5% levels of significance.

#### 5.2. INTERPRETATION OF RESULTS

The results of the study will be presented using tabular and graphical representations.

##### 5.2.1. DESCRIPTIVE STATISTICS

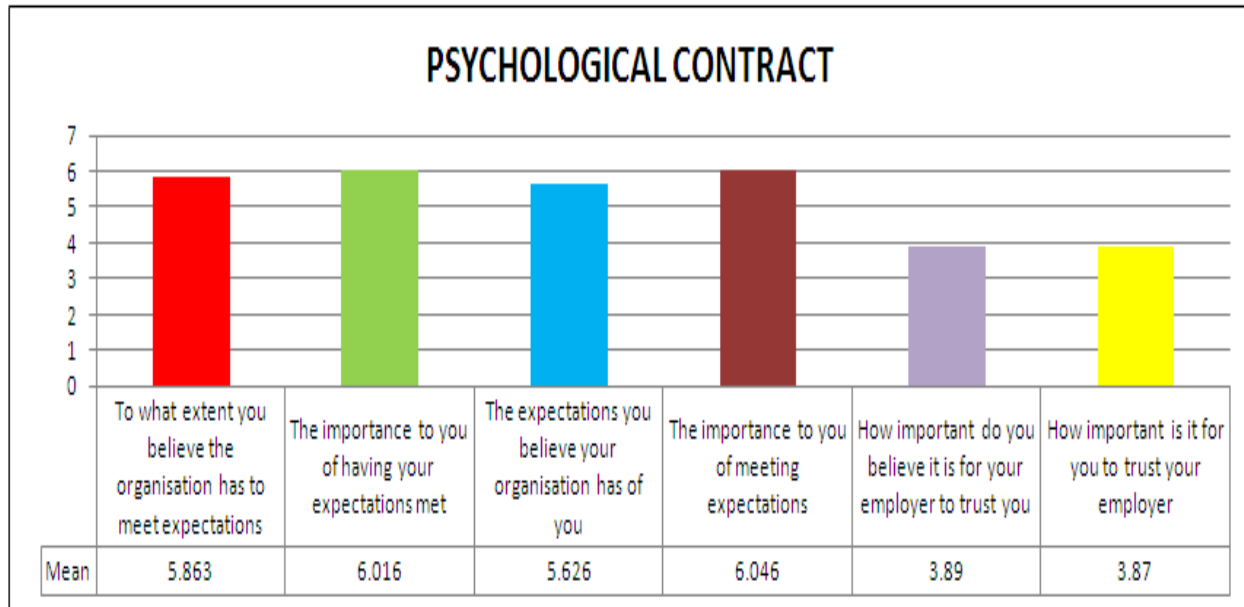
Employee perceptions of the psychological contract are measured on a 1 to 7 point itemised scale. It is indicative that the higher the mean value scores, the more positive are the employees' perceptions about the psychological contract and its dimensions.

**TABLE 5.1**  
**DESCRIPTIVE STATISTICS: PSYCHOLOGICAL CONTRACT DIMENSIONS**

Dimension	Mean	95 % Confidence Interval for Mean		Std. Dev.	Min.	Max.
		Lower Bound	Upper Bound			
To what extent you believe the organisation has to meet expectations	5.863	5.737	5.989	1.114	1	7
The importance to you of having your expectations met	6.016	5.904	6.129	0.994	1.9	7
The expectations you believe your organisation has of you	5.626	5.493	5.758	1.174	1	7
The importance to you of meeting expectations	6.046	5.936	6.156	0.973	1	7
How important do you believe it is for your employer to trust you	3.890	3.850	3.930	0.361	2	4
How important is it for you to trust your employer	3.87	3.83	3.920	0.406	1	4

**FIGURE 5.1**

**DESCRIPTIVE STATISTICS MEAN – PSYCHOLOGICAL CONTRACT DIMENSIONS**



From Table 5.1 and Figure 5.1 it is evident that meeting expectations is most important to employees (Mean = 6.046) thereby reflecting that they display commitment. However, meeting expectations are just as important as having their expectations fulfilled (Mean = 6.016). This is followed by the respondents' perceptions of the psychological contract (Mean = 5.863) reflecting that they strongly believe that the organisation has to meet their expectations. The lowest mean value (Mean = 5.626), although relatively high, reflects the expectations that employees believe that their organisation has of them. Furthermore, the importance that employees attach to being trusted by the organisation (Mean = 3.89) and to trust the organisation (Mean = 3.87) are equally high when assessed against a maximum attainable score of 4. When comparing the mean scores against a maximum attainable score of 7 in terms of the dimensions of psychological contract, the areas for improvement may be assessed using frequency analyses.

In terms of the questions related to the psychological contract, 5.9% of the respondents perceive that organisations have no obligations towards providing career development opportunities, whilst a further 4.6% cited that organisations have a minor obligation. In addition, it is evident that 3% of the respondents perceive that the organisation has no obligation towards treating employees fairly and equitably. It is evident that 61.8% of the employees perceive that the

organisation has an extreme obligation and a further 21.4% believe that organisation has a very high obligation towards acting with integrity and staying true to its values and needs. In addition, an almost equal amount of 61.2% of the respondents believe that the organisation has an extreme obligation in treating employees equitably, whilst a further 21.4% cited that organisations have a very high obligation. In addition, 59.9% of the respondents perceive that organisations have an extreme obligation towards treating employees with respect.

In terms of employees having their expectations met, it is evident that 2.3% and 3% of respondents respectively believe that career development opportunities have no or minor importance in their employment, whilst a further 31.9% placed extreme importance and 23% cited a very high importance. Closely tying to this dimension, 2% and 3.3% of the respondents believe that they do not require personal growth and development opportunities to further their career.

It is evident that 62.2% of the respondents place an extreme importance in acting with integrity and staying true to its values and beliefs and a further 20.7% of the employees place a very high importance on this dimension. Furthermore, a significant percentage of the respondents place an extreme importance on treating employees with respect (59.5%) and treating all employees fairly and equitably (59.5%) and a further 24% and 23% of respondents correspondingly cited these factors as having a very high importance.

Furthermore, it is evident that 20.1% of the respondents believe that the organisation's expectations of the employee had no obligation in providing a competitive remuneration and a further 2.6% believed that there is a minor obligation. In addition, 55.3% of the respondents cited that employees have an extreme obligation and a further 24.7% have a very high obligation to act with integrity and stay true to the values and beliefs of the organisation.

It is evident that 2% of the respondents place no importance on being loyal to the organisation and a further 2.3% places only a minor importance on loyalty. Furthermore, 1.6% of employees place no importance and a further 2.3% reflected minor importance on pursuing career development opportunities. It is evident that 61.8% of the employees place extreme importance

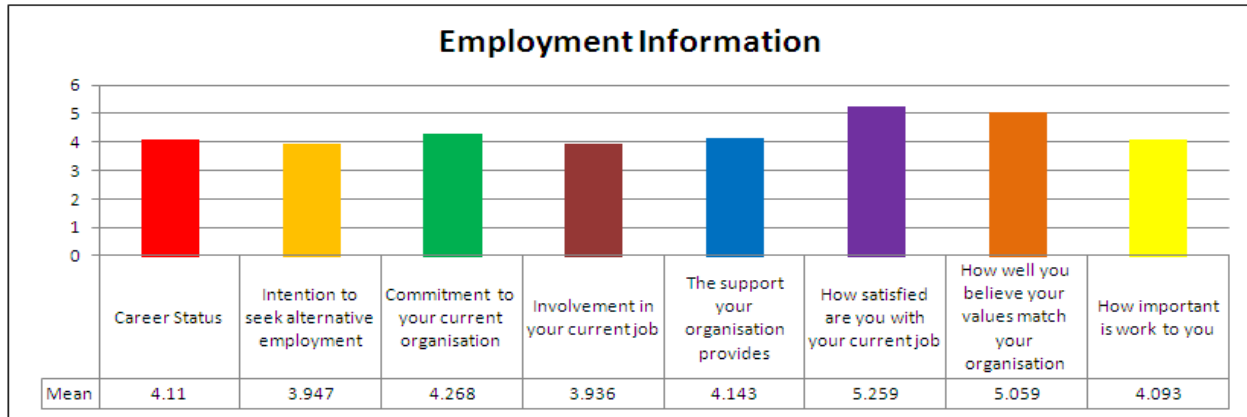
on staying true to your own values and beliefs and a further 21.4% cited a very high importance on this value. Preceding this, it is evident that 60.2% place an extreme importance on respecting others and self.

Employment information of the respondents were collected and recorded on a 1 to 7 point itemised scale. The greater the mean score, the more positively employees perceive the dimensions being measured.

**TABLE 5.2**  
**DESCRIPTIVE STATISTICS: EMPLOYMENT INFORMATION DIMENSIONS**

Dimension	Mean	95 % Confidence Interval for Mean		Std. Dev.	Min.	Max.
		Lower Bound	Upper Bound			
<b>Career Status</b>	4.110	3.988	4.231	1.076	2.2	7
<b>Intention to seek alternative employment</b>	3.947	3.864	4.031	0.737	1	6.8
<b>Commitment to your current organisation</b>	4.268	4.147	4.390	1.077	1.6	7
<b>Involvement in your current job</b>	3.936	3.802	4.070	1.186	1	7
<b>The support your organisation provides</b>	4.143	4.034	4.252	0.966	1	7
<b>How satisfied are you with your current job</b>	5.259	5.110	5.408	1.322	1	7
<b>How well you believe your values match your organisation</b>	5.059	4.906	5.211	1.354	1	7
<b>How important is work to you</b>	4.093	3.972	4.215	1.0728	1.5	7

**FIGURE 5.2**  
**DESCRIPTIVE STATISTICS MEAN – EMPLOYMENT INFORMATION**  
**DIMENSIONS**



From Table 5.2 and Figure 5.2 it is evident that the highest mean reflects employees level of satisfaction in their current job and role within the organisation (Mean = 5.259). This is followed by the respondents' belief that their values match the organisational values (Mean = 5.059). This was followed by employees' commitment to their current organisation (Mean = 4.268), their perception of the support their organisation provides (Mean = 4.143), their career status (Mean = 4.110) and the importance that they attach to work (Mean = 4.093). The two lowest attained mean score values are intention to seek alternative employment (Mean = 3.947) and involvement in current job (Mean = 3.936). It is evident that employees who do not experience high levels of involvement in their current job will have an intention to seek alternative employment; which is reflective in the two low scoring mean values.

In terms of career status, it is evident that 21.4% of the respondents strongly disagree and a further 27% disagree that they are not getting ahead in the organisation. Furthermore, 18.8% of respondents strongly disagree to the statement which iterates they have reached a point where they cannot move higher in the organisation and an additional 12.8% disagrees. In addition, 30.6% of the respondents strongly agree and a further 23% agree that they believe their opportunities for promotion have been limited by the organisation.

Likewise, it is evident that 19.7% of the respondents strongly agree and another 18.4% agree that they expect to advance to a higher level.

In terms of employee's intention to seek alternative employment, it is evident that 22.6 % of the respondents strongly disagree and a further 27% disagree to searching for another job in different organisations. Also, 22.7% strongly disagree and another 26.3% disagree to having intentions to quit their job. Also, it is evident that 25.3% of the respondents strongly agree and a further 23.7% agree that they are not thinking about quitting their jobs in the present time. However, 23% of the respondents strongly agree and a further 14.1% agree that they will be looking for a new job in the near future.

In terms of employee commitment to the current organisation, it is evident that 18.1% of the respondents strongly disagree and a further 23% disagree that they would feel guilty if they left the organisation immediately. In addition, 15.1% of employees strongly disagree and a further 22% disagree that they would not leave the organisation. It is evident that 15.1% of respondents strongly disagree and another 13.2% disagree that they owe a great deal to the organisation. Similarly, this is followed closely by 18.4% of the respondents citing that they strongly agree and a further 19.7% agree that their lives will be disrupted if they wanted to leave the organisation immediately. It is evident that 25% of the respondents strongly agree and a further 29.6% agree that they will be very happy to spend the rest of their career in the organisation. It is evident that 25% of the respondents strongly agree that they would be very happy to remain in the organisation for the rest of their careers and a further 29.6% agree to the statement. It is evident that 19.4% of the respondents strongly agree that they would find it difficult to leave the organisation even if they wanted to and a further 21.7% agree.

In terms of employee involvement in their current job, it is evident that 11.5% of the respondents strongly disagree and a further 26.6% disagree that they live, eat and breathe their job. In addition, it is evident that 10.9% of the employees strongly disagree and another 29.3% disagree to their interests being centered around their job. Similarly, 10.5% of the respondents strongly disagree that their jobs are central to their existence. It is evident that 11.8% of the respondents strongly agree and a further 29.3% agree to be personally involved in their job.

However, 7.6% of the respondents strongly agree and a further 19.7% agree that their job is a small part of who they are.

In terms of the support organisations provide to employees, it is evident that 13.2% of the respondents strongly disagree that the organisation would forgive an honest mistake on their part whereas, 13.8% agree. It is evident that 11.5% of the respondents strongly disagree and another 18.1% disagree that the organisation strongly considers their goals and values. This is closely followed by 10.9% of the respondents who strongly disagree that the organisation is willing to help if they require a favour. It is evident that 20.4% of the respondents strongly agree and a further 16.8% agree that the organisation will take advantage of them. Furthermore, 8.9% of the respondents strongly agree and another 15.1% agree that the organisation shows little concern for them.

In terms of employee satisfaction with their current job, it is evident that 7.2% of the respondents strongly disagree and a further 7.6% disagrees that they are satisfied in their job. However, 24.7% of the respondents strongly agree and a further 44.7% agree that they like working in the organisation.

In terms of how well employees believe their values match the organisations, it is evident that 4.3% of the respondents strongly disagree and another 6.9% disagree that their values do not match the values of the current employees. Conversely, it is evident that 20.1% and 45.1% respectively strongly agree and agree that their values match and fit those of the organisation.

In terms of how important work is to employees, it is evident that 10.5% of the respondents strongly disagree and a further 20.1% disagree that life is worth living when they get absorbed in work. In addition, 8.9% of respondents strongly disagree and a further 22% disagrees that most important things that happen in their life involve work. Conversely, it is evident that 7.6% of the respondents strongly agree and a further 40.5% agree that the most important things that happen in their life involve work. It is evident that 10.5% of the respondents strongly agree and a further 40.5% agree that they are continuously involved in work.

### 5.2.2 INFERENTIAL STATISTICS

Inferential statistics were undertaken in order to draw conclusions about the Hypothesis of the study.

#### Hypothesis 1

There is a significant relationship between employees' expectations of their organisation and their importance of having these expectations met.

**TABLE 5.3**  
**SPEARMAN RANK ORDER CORRELATION: PSYCHOLOGICAL CONTRACT AND**  
**IMPORTANCE OF HAVING EXPECTATIONS MET**

Items	Psychological Contract	
	Correlation Coefficient	P
1. Provide career development opportunities.	0.675	0.000*
2. Communicate organisational knowledge.	0.706	0.000*
3. Fulfil the formal employment contract.	0.674	0.000*
4. Treat all employees fairly and equitably.	0.633	0.000*
5. Provide competitive remuneration.	0.759	0.000*
6. Provide feedback on performance and other issues.	0.687	0.000*
7. Apply organisational policy consistently.	0.690	0.000*
8. Act with integrity, staying true to its values and beliefs.	0.729	0.000*
9. Promote and manage the use of intellectual knowledge.	0.685	0.000*
10. Provide leadership and motivation.	0.711	0.000*
11. Express support of employees.	0.718	0.000*
12. Demonstrate commitment to its own commitment.	0.690	0.000*
13. Maintain acceptable norms and values.	0.748	0.000*
14. Manage change and provide strategic direction.	0.699	0.000*
15. Provide professional and personal support.	0.706	0.000*
16. Provide personal growth and development opportunities.	0.736	0.000*
17. Provide a physically and socially safe environment.	0.707	0.000*
18. Maintain professionalism at all times.	0.716	0.000*
19. Provide employees with the resources to carry out the job.	0.738	0.000*
20. Treat employees with respect.	0.730	0.000*
21. Provide rewards of value to employees.	0.759	0.000*
22. Create an environment in which people work together.	0.738	0.000*
23. Support employees in maintaining work-life balance.	0.747	0.000*

\*  $p < 0.01$



Table 5.3 indicates that there is a significant and direct relationship between employees' expectations of their organisation and the importance these employees attach to these expectations being met at the 1% level of significance. Hence, hypothesis 1 may be accepted. The implication is that as the importance that employees attach to their expectations increases, so too do their expectations of their organisation to fulfil their expectations. The correlation coefficients also reflect strong relationships with greater importance and expectations being reflected with regard to providing competitive remuneration and rewards of value ( $r = 0.759$ ), maintaining acceptable norms and values ( $r = 0.748$ ), supporting employees in maintaining work-life balance ( $r = 0.747$ ), providing employees with resources to carry out the job ( $r = 0.738$ ), creating an environment in which people work together ( $r = 0.738$ ), providing personal growth and development opportunities ( $r = 0.736$ ) and treating employees with respect ( $r = 0.730$ ).

## **Hypothesis 2**

There is a significant and direct relationship between the organisation's expectations of the employee and the importance of employees meeting those expectations.

**TABLE 5.4**  
**SPEARMAN RANK ORDER CORRELATION: THE EXPECTATIONS YOU BELIEVE**  
**YOUR ORGANISATION HAS OF YOU AND THE IMPORTANCE TO YOU OF**  
**MEETING EXPECTATIONS**

Items	The expectations you believe your organisation has of you	
	Correlation Coefficient	P
1. Fulfil the formal employment contract	0.537	0.000*
2. Communicate organisational knowledge	0.571	0.000*
3. Fulfil the formal employment contract	0.605	0.000*
4. Treat all employees fairly and equitably	0.503	0.000*
5. Provide competitive remuneration	0.225	0.000*
6. Provide feedback on performance and other issues	0.449	0.000*
7. Apply organisational policy consistently	0.528	0.000*
8. Act with integrity, staying true to its values and beliefs	0.418	0.000*
9. Promote and manage the use of intellectual knowledge	0.432	0.000*
10. Provide leadership and motivation	0.531	0.000*
11. Express support of employees	0.604	0.000*
12. Demonstrate commitment to its own commitment	0.576	0.000*
13. Maintain acceptable norms and values	0.583	0.000*
14. Manage change and provide strategic direction	0.450	0.000*
15. Provide professional and personal support	0.520	0.000*
16. Provide personal growth and development opportunities	0.378	0.000*

**\* p < 0.01**

Table 5.4 indicates that there is a significant and direct relationship between employees' expectations of their organisation and the importance these employees attach to meeting these expectations at the 1% level of significance. Hence, hypothesis 2 may be accepted. The implication is that as employers' expectations of their employees to fulfil their needs increase, so too does the importance that the organisation attach to these needs. The correlation coefficients also reflect strong relationships with greater importance and expectations being reflected with regard the expectations which employers perceive employees have an obligation to fulfil the

formal employment contract of value ( $r = 0.605$ ), express support of employees ( $r = 0.604$ ), maintain acceptable norms and values ( $r = 0.583$ ), communicating organisational knowledge ( $r = 0.571$ ), provide career development opportunities ( $r = 0.537$ ), provide leadership and motivation ( $r = 0.531$ ) and applying organisational policy consistently ( $r = 0.528$ ).

### **Hypothesis 3**

There is a significant relationship between the importance of employee trust and the importance of employer trust.

**TABLE 5.5**  
**SPEARMAN RANK ORDER CORRELATION: HOW IMPORTANT DO YOU BELIEVE IT IS FOR YOUR EMPLOYER TO TRUST YOU AND HOW IMPORTANT IS IT FOR YOU TO TRUST YOUR EMPLOYER**

Items	How important do you believe it is for your employer to trust you	
	Correlation Coefficient	p
1. How important do you believe it is for your employer to trust you.	1.000	
2. How important is it for you to trust your employer	0.467	0.000*

\*  $p < 0.01$

Table 5.5 indicate that there is a significant relationship between the importance employees attach for their employer to trust them and for them to trust the employer in return. Hence, hypothesis 3 is accepted at the 1% level of significance.

### **Hypothesis 4**

There is a significant difference in the views of employees varying in age regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.6**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND AGE RESPECTIVELY**

<b>Dimension</b>	<b>Chi-square</b>	<b>df</b>	<b>P</b>
Psychological contract.	5.566	4	0.234
The importance to you of having your expectations met.	9.978	4	0.041**
The expectations you believe your organisation has of you.	3.723	4	0.445
The importance to you of meeting expectations.	6.999	4	0.136
The importance to you of your organisation meeting your expectations.	6.009	4	0.198
Trust	1.260	4	0.868
Career status	40.362	4	0.001*
Intention to seek alternative employment.	12.907	4	0.012**
Commitment to your current organisation.	4.519	4	0.340
Involvement in your current job.	18.515	4	0.001*
The support your organisation provides.	2.902	4	0.574
How satisfied are you with your current job.	10.734	4	0.030**
How well you believe your values match your organisation.	8.801	4	0.066
How important is work to you.	9.755	4	0.045**

\*  $p < 0.01$

\*\*  $p < 0.05$

Table 5.6 indicates that there is a significant difference in the views of employees varying in age regarding career status and involvement in their current job at the 1% level of significance. Furthermore, there is a significant difference in the views of employees varying in age regarding the importance of employees having their expectations met, employees' intentions to seek alternative employment, their job satisfaction and the importance of work at the 5% level of significance. No other significant differences were noted in terms of age. Hence, hypothesis 4 may only be partially accepted in terms of age.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.7).

**TABLE 5.7**  
**MEAN ANALYSES: PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**  
**BASED ON AGE**

<b>Dimension</b>	<b>Statistic</b>	<b>18-25</b>	<b>26-35</b>	<b>36-45</b>	<b>46-55</b>	<b>&gt;55</b>
The importance to you of having your expectations met	Mean	6.138	6.077	6.081	5.892	5.754
	Std. Dev.	1.115	1.089	0.969	0.924	0.755
Career status	Mean	4.631	4.503	4.092	3.669	3.392
	Std. Dev.	1.086	1.059	1.055	0.906	0.843
Intention to seek alternative employment	Mean	4.077	4.056	3.958	3.875	3.558
	Std. Dev.	0.933	0.790	0.759	0.588	0.524
Involvement in your current job	Mean	5.008	4.053	3.931	3.519	3.988
	Std. Dev.	1.572	1.107	1.185	1.121	1.066
Job satisfaction	Mean	4.692	5.173	5.401	5.081	5.821
	Std. Dev.	1.332	1.254	1.347	1.448	0.934

From Table 5.7 it is evident that younger employees attach a significantly greater importance to having their expectations met as compared to older employees. However, the high means for employees in all age categories indicates that all employees attach importance to having their expectations met. Younger employees also reflect significantly greater importance to career status and greater job involvement but also display a greater intention to seek alternative employment. These younger employees also reflect the lowest levels of job satisfaction. However, employees who are >55 years of age do not attach high importance to career status, do not display high level of intention to seek alternative employment but they display the highest levels of job satisfaction.

### **Hypothesis 5**

There is a significant difference in the views of employees varying in type of work regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.8**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND TYPE OF WORK RESPECTIVELY**

<b>Dimension</b>	<b>Chi-square</b>	<b>Df</b>	<b>P</b>
Psychological contract.	10.298	4	0.036**
The importance to you of having your expectations met.	10.890	4	0.028**
The expectations you believe your organisation has of you.	9.088	4	0.059
The importance to you of meeting expectations.	13.302	4	0.010*
The importance to you of your organisation meeting your expectations.	13.301	4	0.010*
Trust	0.969	4	0.914
Career status	11.800	4	0.019**
Intention to seek alternative employment.	1.185	4	0.881
Commitment to your current organisation.	9.443	4	0.051
Involvement in your current job.	6.659	4	0.155
The support your organisation provides.	2.006	4	0.735
How satisfied are you with your current job.	4.970	4	0.290
How well you believe your values match your organisation.	4.327	4	0.363
How important is work to you.	10.883	4	0.028**

\*  $p \leq 0.01$

\*\*  $p < 0.05$

Table 5.8 indicates that there is a significant difference in the views of employees varying in type of work (level) regarding the importance of having their expectations met and the importance employees' place of meeting expectations at the 1% level of significance. Furthermore, there is a significant difference in the views of employees varying in type of work regarding the psychological contract, importance of employees having their expectations met, career status and the importance of work at the 5% level of significance. No other significant differences were noted in terms of type of work. Hence, hypothesis 5 may only be partially accepted in terms of type of work.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.9).

**TABLE 5.9**  
**MEAN ANALYSES: PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**  
**BASED ON TYPE OF WORK**

Dimension		Level of Management				
		General Staff	Junior	Middle	Senior	Executive
Psychological Contract	Mean	5.558	6.206	5.909	5.971	5.800
	Std. Dev.	1.448	0.852	0.956	0.625	0.566
The importance to you of having your expectations met	Mean	5.841	6.286	6.069	5.916	6.050
	Std. Dev.	1.235	0.902	0.808	0.758	0.212
The expectations you believe your organisation has of you	Mean	5.364	5.971	5.666	5.633	5.750
	Std. Dev.	1.377	0.994	1.081	0.988	0.636
The importance to you of meeting expectations	Mean	6.021	6.290	6.028	5.780	6.000
	Std. Dev.	1.032	0.904	0.906	1.021	0.849
Career Status	Mean	4.262	4.273	3.995	3.724	4.600
	Std. Dev.	1.082	1.044	1.034	1.115	0.849
How important is work to you	Mean	4.274	3.863	3.978	4.189	5.250
	Std. Dev.	1.212	0.954	1.029	0.909	0.070

From Table 5.9 it is evident that junior management employees attach significantly greater importance to the psychological contract as compared to general staff employees. However, the high means for employees at all levels of work indicates that all employees attach fairly high levels of importance to the psychological contract. In addition, employees at the junior management level also attach significantly greater importance to having their expectations met and of meeting expectations. However, the low mean scores for career status and work importance signal that employees at all levels of work reflect a low degree of importance to these dimensions. Furthermore, junior management employees also reflect the lowest levels of importance of work. However, senior management employees do not attach the highest levels of importance to career status whereas executive management attaches high levels of importance to work and career status.

### **Hypothesis 6**

There is a significant difference in the views of employees varying in gender regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment,

involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.10**

**MANN-WHITNEY TEST: COMPARISON OF MEAN RANKS BETWEEN MALE AND FEMALE FOR PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**

<b>Dimensions</b>	<b>Mann-Whitney U</b>	<b>Z</b>	<b>P</b>
Psychological Contract	9531.000	-2.555	0.011**
The importance to you of having your expectations met	9598.500	-2.474	0.013**
The expectations you believe your organisation has of you	10265.000	-1.594	0.111
The importance to you of meeting expectations	10054.000	-1.876	0.061
Trust	10783.000	-0.987	0.323
Career Status	9735.000	-2.289	0.022**
Intention to seek alternative employment	10971.500	-0.670	0.503
Commitment to your current organisation	9770.000	-2.240	0.025**
Involvement in your current job	10644.000	-1.095	0.274
The support your organisation provides	9610.000	-2.451	0.014**
How satisfied are you with your current job	10592.500	-1.171	0.241
How well you believe your values match your organisation	10787.000	-0.914	0.361
How important is work to you	10499.500	-1.285	0.199

**\*\* p < 0.05**

From Table 5.10 it is evident that there is a significant difference between male and female employees regarding the psychological contract, the importance to employees of having their expectations met, career status, commitment to the organisation and, organisational support at the 5% level of significance. No other significant differences were noted in terms of gender. Hence, hypothesis 6 may only be partially accepted in terms of gender.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.11).



**TABLE 5.11**  
**MEAN ANALYSES: PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**  
**BASED ON GENDER**

<b>Dimensions</b>	<b>Statistic</b>	<b>Male</b>	<b>Female</b>
Psychological Contract	Mean Std. Dev.	5.732 1.170	5.975 1.054
The importance to you of having your expectations met	Mean Std. Dev.	5.949 0.899	6.074 1.068
Career Status	Mean Std. Dev.	3.959 1.118	4.239 1.025
Commitment to your current organisation	Mean Std. Dev.	4.106 1.003	4.407 1.120
The support your organisation provides	Mean Std. Dev.	4.027 0.832	4.241 1.060

From Table 5.11 it is evident that female employees attach significantly greater levels of importance to the psychological contract, to having their expectations met, to career status, and commitment to the organisation and, organisational support respectively than male employees. Whilst both males and females reflect high mean scores in terms of the psychological contract and importance of having their expectations met, they attach much lower importance to career status, commitment to the organisation and organisational support respectively.

### **Hypothesis 7**

There is a significant difference in the views of employees varying in marital status regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.12**  
**MANN-WHITNEY TEST: MARITAL STATUS OF EMPLOYEES AND**  
**PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF RESPECTIVELY**

<b>Dimensions</b>	<b>Mann-Whitney U</b>	<b>Z</b>	<b>P</b>
Psychological Contract	9187.500	-0.885	0.376
The importance to you of having your expectations met	9172.500	-0.909	0.363
The expectations you believe your organisation has of you	9732.000	-0.113	0.910
The importance to you of meeting expectations	9055.000	-1.076	0.282
Trust	9323.000	-0.749	0.454
Career Status	9668.500	-0.203	0.839
Intention to seek alternative employment	8938.500	-1.244	0.214
Commitment to your current organisation	9549.500	-0.371	0.710
Involvement in your current job	8904.500	-1.285	0.199
The support your organisation provides	8866.000	-1.340	0.180
How satisfied are you with your current job	7822.500	-2.840	0.005*
How well you believe your values match your organisation	9653.500	-0.225	0.822
How important is work to you	7811.500	-2.835	0.005*

\*  $p < 0.01$

Table 5.12 indicates that there is a significant difference in the views of employees varying in marital status regarding job satisfaction and the importance of work at the 1% level of significance. No other significant differences were noted in terms of marital status. Hence, hypothesis 7 may only be partially accepted in terms of marital status.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.13).

**TABLE 5.13**  
**MEAN ANALYSES: FOR PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF BASED ON MARITAL STATUS**

<b>Dimensions</b>	<b>Statistics</b>	<b>Married, or living as married</b>	<b>Not married, not living as married</b>
How satisfied are you with your current job	Mean Std. Dev.	5.400 1.280	4.939 1.366
How important is work to you	Mean Std. Dev.	3.986 1.055	4.339 1.079

From Table 5.13 it is evident that married employees experience significantly higher levels of job satisfaction as compared to single. However, the mean value of single employees is also indicative of job satisfaction. Furthermore, Table 5.13 reflects that single employees place significantly greater importance on work than employees who are married, although the mean scores reflect only a moderate level of work importance.

### **Hypothesis 8**

There is a significant difference in the views of employees varying race group regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.14**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND RACE RESPECTIVELY**

<b>Dimensions</b>	<b>Chi-Square</b>	<b>df</b>	<b>P</b>
Psychological Contract	6.726	4	0.151
The importance to you of having your expectations met	15.943	4	0.003*
The expectations you believe your organisation has of you	11.235	4	0.024*
The importance to you of meeting expectations	14.873	4	0.005*
Trust	3.797	4	0.434
Career Status	21.705	4	0.000*
Intention to seek alternative employment	13.063	4	0.011*
Commitment to your current organisation	2.780	4	0.595
Involvement in your current job	7.953	4	0.093
The support your organisation provides	2.433	4	0.657
How satisfied are you with your current job	8.516	4	0.074
How well you believe your values match your organisation	12.870	4	0.012*
How important is work to you	11.454	4	0.022*

\*  $p < 0.01$

\*\*  $p < 0.05$

Table 5.14 indicates that there is a significant difference in the views of employees varying in race regarding having their expectations met, meeting expectations and career status at the 1% level of significance. Furthermore, there is a significant difference in the views of employees varying in race regarding the obligations of expectations employers have of employees, intentions to seek alternative employment, how well employee values match the organisations and the importance of work at the 5% level of significance. No other significant changes were noted in terms of race. Hence, hypothesis 8 may be partially accepted in terms of race.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.15).

**TABLE 5.15**  
**MEAN ANALYSES: PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**  
**BASED ON RACE GROUPS**

<b>Dimensions</b>	<b>Statistics</b>	<b>Black</b>	<b>White</b>	<b>Indian</b>	<b>Coloured</b>	<b>Other</b>
The importance to you of having your expectations met	Mean	6.064	5.882	6.032	6.427	6.163
	Std. Dev.	1.24	0.864	1.207	0.577	0.943
The expectations you believe your organisation has of you	Mean	5.580	5.581	5.568	6.072	5.088
	Std. Dev.	1.280	1.006	1.469	1.074	1.326
The importance to you of meeting expectations	Mean	6.222	5.873	6.160	6.302	6.050
	Std. Dev.	0.981	0.974	1.081	0.608	1.143
Career Status	Mean	4.368	3.903	4.525	4.119	3.325
	Std. Dev.	1.061	1.063	0.994	1.044	0.913
Intention to seek alternative employment	Mean	4.035	3.841	4.030	4.049	4.275
	Std. Dev.	0.758	0.706	0.862	0.659	0.301
How well you believe your values match your organisation	Mean	5.331	4.909	5.415	4.840	4.550
	Std. Dev.	1.407	1.309	1.152	1.403	2.156
How important is work to you	Mean	4.400	3.928	4.383	3.878	4.063
	Std. Dev.	1.076	1.013	1.108	1.048	1.367

From Table 5.15 it is evident that Coloured employees attach significantly greater importance to having their expectations met as compared to White employees. However, the high means for employees in all race groups indicates that all employees attach high levels of importance to having their expectations met. In addition, Coloured employees attach very high obligations towards employer's expectations than all their counterparts. Furthermore, Coloured employees attach significantly higher levels of importance to meeting expectations than White employees. However, the high mean scores for employees meeting expectations indicates that all race groups place very high importance towards this dimension. In addition, Indian employees reflect significantly greater importance to career status and the congruency between personal values and organisation values than Coloured employees. All employees attach significantly lower levels of importance to work and the latter is significantly higher for Black employees than Coloured employees. Furthermore, all employees reflect moderate levels of intention to seek alternative employment and the latter is significantly lower for White employees as compared to all other employees.

### **Hypothesis 9**

There is a significant difference in the views of employees varying in tenure regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.16**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND LEVELS OF TENURE RESPECTIVELY**

<b>Dimensions</b>	<b>Chi-Square</b>	<b>df</b>	<b>P</b>
Psychological Contract	9.075	4	0.059
The importance to you of having your expectations met	15.668	4	0.003*
The expectations you believe your organisation has of you	8.615	4	0.071
The importance to you of meeting expectations	10.523	4	0.032**
Trust	3.786	4	0.436
Career Status	21.751	4	0.000*
Intention to seek alternative employment	4.274	4	0.370
Commitment to your current organisation	5.247	4	0.263
Involvement in your current job	12.764	4	0.012**
The support your organisation provides	7.032	4	0.134
How satisfied are you with your current job	1.718	4	0.788
How well you believe your values match your organisation	7.612	4	0.107
How important is work to you	7.162	4	0.128

\*  $p < 0.01$

\*\*  $p < 0.05$

Table 5.16 indicates that there is a significant difference in the views of employees varying in tenure regarding importance of having their expectations met and career status at the 1% level of significance. Furthermore, there is a significant difference in the views of employees varying in tenure regarding the importance of employees meeting expectations and involvement in their current job at the 5% level of significance. No other significant differences were noted in terms of tenure. Hence, hypothesis 9 may only be partially accepted in terms of tenure.

In order to assess exactly where these significant differences lie, mean analyses were computed (Table 5.17).

**TABLE 15.17**  
**MEAN ANALYSES: PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**  
**BASED ON TENURE**

<b>Dimensions</b>		<b>0-2 years</b>	<b>3-7 years</b>	<b>8-12 years</b>	<b>13-17 years</b>	<b>&gt;18 years</b>
The importance to you of meeting expectations	Mean	6.250	5.951	5.977	6.380	5.915
	Std. Dev.	0.781	1.010	1.012	0.799	1.100
Career Status	Mean	4.344	4.280	4.110	3.700	3.570
	Std. Dev.	0.885	1.053	1.274	1.081	0.945
Involvement in your current job	Mean	4.188	3.878	4.279	3.538	3.613
	Std. Dev.	1.186	1.094	1.393	1.260	1.030

From Table 5.17 it is evident that employees working between 13 - 17 years attach a significantly greater importance in meeting expectations as compared to employees having a tenure of >18 years. However, the high means for employees at all tenure levels indicates that all employees attach high levels of importance in meeting expectations. Employees in employment between 0 - 2 years also reflect greater importance to career status in comparison to employees working >18 years. In addition, employees working between 8-12 years experience significantly higher levels of involvement than those having tenure of 13-17 years. However, all employees attach only moderate levels of importance to career status and job involvement respectively.

### **Hypothesis 10**

There is a significant difference in the views of employees with varying levels of education regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.

**TABLE 5.18**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND EDUCATION RESPECTIVELY**

<b>Dimensions</b>	<b>Chi-Square</b>	<b>Df</b>	<b>P</b>
Psychological Contract	7.414	3	0.060
The importance to you of having your expectations met	7.115	3	0.068
The expectations you believe your organisation has of you	5.009	3	0.171
The importance to you of meeting expectations	4.429	3	0.219
Trust	3.251	3	0.355
Career Status	5.781	3	0.123
Intention to seek alternative employment	4.887	3	0.180
Commitment to your current organisation	3.845	3	0.279
Involvement in your current job	5.577	3	0.134
The support your organisation provides	3.651	3	0.302
How satisfied are you with your current job	3.869	3	0.276
How well you believe your values match your organisation	5.321	3	0.150
How important is work to you	4.077	3	0.253

Table 5.18 indicates that there is no significant difference in the views of employees varying in levels of education. Hence, hypothesis 10 may not be accepted in terms of level of education.

### **Hypothesis 11**

There is a significant difference in the views of employees with varying levels of contract terms regarding the psychological contract and various dimensions of the psychological contract (importance, expectations, trust, career status, intentions to seek alternative employment, commitment, involvement, support that organisation provides, job satisfaction, congruency between personal and organisation's values) respectively.



**TABLE 5.19**  
**KRUSKAL-WALLIS ANOVA: PSYCHOLOGICAL CONTRACT AND DIMENSIONS**  
**THEREOF AND LEVELS OF CONTRACT TERMS RESPECTIVELY**

<b>Dimensions</b>	<b>Chi-Square</b>	<b>Df</b>	<b>P</b>
Psychological Contract	3.607	3	0.307
The importance to you of having your expectations met	4.534	3	0.209
The expectations you believe your organisation has of you	3.411	3	0.333
The importance to you of meeting expectations	3.388	3	0.336
Trust	2.935	3	0.402
Career Status	5.664	3	0.129
Intention to seek alternative employment	4.960	3	0.175
Commitment to your current organisation	4.400	3	0.221
Involvement in your current job	4.230	3	0.238
The support your organisation provides	2.510	3	0.474
How satisfied are you with your current job	0.331	3	0.954
How well you believe your values match your organisation	1.056	3	0.788
How important is work to you	3.127	3	0.372

Table 5.19 indicates that there is no significant difference in the views of employees varying in levels of contract terms. Hence, hypothesis 11 may not be accepted with regards to levels of contract terms.

### 5.3 **STATISTICAL ANALYSES OF THE QUESTIONNAIRE**

The psychometrics properties of the questionnaire were statistically analysed to assess its validity and reliability.

#### 5.3.1 **VALIDITY**

The validity of the questionnaire relating to the psychological contract and the dimensions thereof was assessed using Factor Analysis (Table 5.20). Only items with item loadings >0.5 were considered to be significant. If an item loaded significantly on more than two factors, only that with the highest loading was considered.

**TABLE 5.20****VALIDITY: FACTOR ANALYSIS (PSYCHOLOGICAL CONTRACT)**

ITEM	COMPONENT						
	1		2		3		4
PC8	0.888	MEETEX6	0.860	HEXMET16	0.761	EXORG16	0.755
PC20	0.883	MEETEX14	0.855	HEXMET23	0.758	EXORG1	0.706
PC19	0.853	MEETEX5	0.836	HEXMET21	0.749	EXORG14	0.677
PC13	0.847	MEETEX15	0.828	HEXMET15	0.729	EXORG5	0.674
PC12	0.844	MEETEX3	0.825	HEXMET22	0.718	EXORG15	0.658
PC7	0.840	MEETEX11	0.805	HEXMET1	0.714	EXORG6	0.621
PC4	0.821	MEETEX9	0.793	HEXMET6	0.705	EXORG10	0.599
PC18	0.815	MEETEX4	0.783	HEXMET11	0.702	EXORG2	0.567
PC14	0.809	MEETEX12	0.755	HEXMET9	0.687	EXORG11	0.547
PC6	0.773	MEETEX10	0.750	HEXMET10	0.686	PC16	0.525
PC17	0.771	MEETEX7	0.740	HEXMET14	0.684		
PC10	0.765	MEETEX13	0.733	HEXMET5	0.631		
PC9	0.765	MEETEX2	0.732	HEXMET12	0.613		
PC11	0.763	MEETEX8	0.645	HEXMET7	0.610		
PC5	0.756	MEETEX16	0.635	HEXMET2	0.600		
PC3	0.721	MEETEX1	0.526	HEXMET19	0.598		
PC22	0.704			HEXMET18	0.591		
EXORG8	0.644			HEXMET20	0.565		
EXORG3	0.631			HEXMET17	0.563		
PC21	0.612			HEXMET4	0.548		
EXORG12	0.611			HEXMET8	0.545		
EXORG4	0.581			HEXMET13	0.510		
EXORG13	0.576						
PC15	0.571						
PC2	0.568						
EXORG7	0.563						
PC23	0.559						
EXORG9	0.505						
<b>% of Total Variance</b>	24.97		20.05		17.13		9.82
<b>Eigen value</b>	19.479		15.635		13.360		7.661

Table 5.20 indicates that 28 items load significantly on Factor 1 and account for 24.97% of the total variance. Of these items, 21 items relate to psychological contract and 7 items relate to expectations that the employee believes that the organisation has of him/her. Since the majority of the items relate to the former, Factor 1 may be labelled as *Psychological Contract*.

Table 5.20 indicates that 16 items load significantly on Factor 2 and account for 20.05% of the total variance. Of these items, all items relate to the importance of employees meeting expectations. Hence, Factor 2 may be labelled as *The importance of employees meeting expectations*.

Table 5.20 indicates that 22 items load significantly on Factor 3 and account for 17.13% of the total variance. Of these items, all items relate to the importance of employees having their expectations met. Hence, Factor 3 may be labelled as *The importance of employees having their expectations met*.

Table 5.20 indicates that 10 items load significantly on Factor 4 and account for 9.82% of the total variance. Of these items, 1 item relates to psychological contract and 9 items relate to the expectations that the employee believes the organisation has of him/her. Since the majority of the items relate to the later, Factor 4 may be labelled as *Expectations employee believes the organisation has of him/her*.

The validity of the questionnaire relating to the employment information and the dimensions thereof was also assessed using Factor Analysis (Table 5.21). Likewise, only items with item loadings  $>0.5$  were considered to be significant and if an item loaded significantly on more than two factors, only that with the highest loading was considered.

**TABLE 5.21**  
**VALIDITY: FACTOR ANALYSIS (EMPLOYMENT INFORMATION)**

ITEM	COMPONENT							
	1	2	3	4	5	6	7	8
WORK5	0.752							
WORK4	0.746							
WORK6	0.731							
WORK3	-0.681							
WORK1	0.676							
WORK2	0.572							
INVOLV8	0.560							
INVOLV7	0.558							
INVOLV2	-0.516							
SUPP6		0.757						
SUPP5		0.747						
SUPP1		0.676						
SUPP4		0.651						
SUPP2		0.647						
SUPP7		0.593						
VALUE2		0.505						
INTENT5			0.791					
INTENT3			-0.768					
INTENT4			0.738					
INTENT2			-0.725					
INTENT1			-0.680					
INVOLV3				0.684				
INVOLV4				0.677				
INVOLV9				0.625				
INVOLV5				0.621				
INVOLV1				0.603				
INVOLV6				0.600				
COMIT10					0.702			
COMIT11					0.692			
COMIT8					0.679			
COMIT12					0.639			
COMIT7					0.590			
COMIT14					0.550			
COMIT9					0.507			
COMIT15					0.502			
CAREERS2						0.768		
CAREERS1						-0.763		
SUPP3						-0.603		
COMIT6						0.542		
COMIT4							0.644	
VALUE3							0.619	
VALUE1							0.583	
COMIT5							0.543	
SATIS3							0.529	
CAREERS5								0.813
CAREERS4								0.672
CAREERS3								0.650
<b>% of Total Variance</b>	8.88	8.06	7.92	7.91	7.57	7.28	7.16	5.86
<b>Eigenvalue</b>	5.060	4.593	4.514	4.507	4.317	4.149	4.082	3.340

Table 5.21 indicates that 9 items load significantly on Factor 1 and account for 8.88% of the total variance. Of these items, 6 items relate to the importance of work to the employee and 3 items relate to job involvement. Since the majority of the items relate to the former, Factor 1 may be labelled as *Importance of work to the employee*.

Table 5.21 indicates that 7 items load significantly on Factor 2 and account for 8.06% of the total variance. Of these items, 6 items relate to the support organisational support and 1 item relates to how well employees believe his/her values match the organisation. Since the majority of the items relate to the former, Factor 2 may be labelled as *Organisational Support*.

Table 5.21 indicates that 5 items load significantly on Factor 3 and account for 7.92% of the total variance. Of these items, all items relate to intention to seek alternative employment. Hence, Factor 3 may be labelled as *Intention to seek alternative employment*.

Table 5.21 indicates that 6 items load significantly on Factor 4 and account for 7.91% of the total variance. Of these items, all items relate to job involvement. Hence, Factor 4 may be labelled as *Job Involvement*.

Table 5.21 indicates that 8 items load significantly on Factor 5 and account for 7.57% of the total variance. Of these items, all items relate to the employee commitment. Hence, Factor 5 may be labelled as *Employee Commitment*.

Table 5.21 indicates that 4 items load significantly on Factor 6 and account for 7.28% of the total variance. Of these items, 2 items relate to career status, 1 item relates to organisational support and 1 item relates to employee commitment. Since the majority of the items relate to the former, Factor 6 may be labelled as *Career Status*.

Table 5.21 indicates that 5 items load significantly on Factor 7 and account for 7.16% of the total variance. Of these items, 2 items relate employee values and employee commitment respectively and 1 item relates to job satisfaction. Based on the higher average item loadings, Factor 7 may be labelled as *Employee values*.

Table 5.21 indicates that 3 items load significantly on Factor 8 and account for 5.86% of the total variance. Of these items, all items relate to career status. Hence, Factor 8 may be labelled as *Career Status*.

From the Factor Analysis results relating to employment information and its dimensions, it is evident that two Factors (6 and 8) surfaced as Career Status and none of the factors were labelled as Job Satisfaction. The implication is that employees may have perceived the job satisfaction items as relating to career status.

### 5.3.2. CRONBACH'S ALPHA

The reliability of the questionnaire was tested using Cronbach's Coefficient Alpha (Table 5.22).

**TABLE 5.22**  
**RELIABILITY ESTIMATE: CRONBACH'S COEFFICIENT ALPHA:**  
**PSYCHOLOGICAL CONTRACT AND DIMENSIONS THEREOF**

<b>Dimensions</b>	<b>Cronbach's Alpha</b>
Psychological Contract	0.987
The expectations you have of your organisation	0.979
The importance of you of having your expectations met	0.979
The expectations you believe your organisation has of you	0.958
The importance to you of meeting expectations	0.974

It is evident from Table 5.22 that the overall Cronbach's Coefficient Alpha value for psychological contract is 0.987. Since this reliability estimate is close to unity, it is clear that the measuring instrument has a high degree of reliability. Furthermore, the item reliabilities which range from 0.958 to 0.979, for the dimensions of psychological contract show a high level of internal consistency and stability.

The reliability of the questionnaire relating to the employment information and the dimensions thereof was also assessed using Cronbach's Coefficient Alpha (Table 5.23).

**TABLE 5.23****RELIABILITY ESTIMATE: CRONBACH'S COEFFICIENT ALPHA: EMPLOYMENT INFORMATION AND DIMENSIONS THEREOF**

<b>Dimensions</b>	<b>Cronbach's Alpha</b>
Employment Information	0.901
Career Status	0.313
Intention to seek alternative employment	0.818
Employee Commitment	0.879
Employee Involvement	0.865
Organisational Support	0.670
Job Satisfaction	0.727
Employee Values	0.827
Importance of Work	0.673

It is evident from Table 5.23 that the overall Cronbach's Coefficient Alpha value for employment information is 0.901. Since this reliability estimate is close to unity, it is clear that the measuring instrument has a high degree of reliability. However, the reliability estimate for career status is low (Cronbach's Alpha = 0.313) and for organisational support (Alpha = 0.670) and importance to work (Alpha = 0.673) item reliabilities are fairly good. For all other dimensions of employment information, the item reliabilities which range from 0.727 to 0.879, show a high level of internal consistency and stability.

#### **5.4. CONCLUSION**

This chapter presented the results of the study using both descriptive and inferential statistics. These statistics provided a description and interpretation of results using various statistical methods. The results identify significant relationships and differences between the variables of the study.

## **CHAPTER 6**

### **DISCUSSION OF RESULTS**

#### **6.1. INTRODUCTION**

The results and outcomes obtained from the current study were presented in tabular and graphical representation in Chapter 5. These results gain value when compared with and contrasted to other findings of research in the field, which mark the fundamental purpose of this chapter.

#### **6.2. DISCUSSION OF RESULTS**

The results of the study will be presented according to the psychological contract dimensions (the expectations employees have of the organisation, the importance of having his/her expectations met, the expectations employees believe that the organisation has of him/her, the importance of employees meeting expectations and employer-employee trust) and employment information (career status, intention to seek alternative employment, employee's commitment to the organisation, employee involvement, organisational support, job satisfaction, congruency between personal and organisational values and the importance of work. The key variables will be compared and contrasted with results of previous studies to achieve a more meaningful analysis.

##### **6.2.1. PSYCHOLOGICAL CONTRACT DIMENSIONS**

According to Turnley and Feldman (2000, p. 30), the psychological contract can be defined as “the terms of social exchange relationship that exists between individuals and their organisation”. These beliefs emerge when employees believe that organisations have promised them inducement in exchange for their services rendered (contributions). Previous research conducted indicated that psychological contracts are relevant in shaping employment relationships (Turnley & Feldman, 2000).



#### **6.2.1.1. THE IMPORTANCE OF EMPLOYEES MEETING EXPECTATIONS**

In this study, the dimensions of employees meeting expectations obtained an average mean value of 6.046 (maximum = 7), the highest scoring mean value in this dimension. This indicates that the majority of the respondents reflect a very high importance level of meeting expectations. A deeper analysis on the importance of meeting expectations is undertaken using frequency analysis. The results indicated that the majority of the employees place extreme importance on staying true to their own values and beliefs. According to Caldwell, Chatman and O'Reily, (1990), Kristof (1996) and Netemeyer, Boles, McKee and McMurrian (1997), a person value match with the organisation is considered in the perspective of employee selection and is centered on the beliefs of employees' values which are congruent with the organisation, or person and organisational goals. In addition, Brown (1995) reaffirmed that when employees perceive that their values do not match the organisation's values, dissatisfaction arises and eventually leads to a change of job. Chatman (1989, p. 335) cited that "Higher levels of person-organization fit exist when there is congruence between the norms and values of organizations and the values of persons". Furthermore, this is inherent in the dimension focused on the congruency between personal values and organisation values. The concept of person-organisation fit as explained by Kristof (1996) suggests that an overlaying feature between the people and the organisation is its compatibility. Essentially, this occurs when at least the employer or the employee provides what either party needs, sharing a congruent/similar characteristic or both. Likewise, the levels of fit employees perceive to have with the organisation directly has an impact on the obligations they perceive the organisation has to them.

In a study, Cable (2008) noted that the organisation has obligations placed on employees, whilst acknowledging it is proposed to be rated as imperative for those employees who perceive a higher level of fit with the organisation. Furthermore, the significance of this relationship should be fostered through the belief that there is a high level of fit between the employee and the organisation. In addition, the organisation needs to take cognisance of their obligations under the psychological contract.

In addition, this study further identified that respondents place high levels importance on treating other employees with respect including themselves. Sharpe (2001) reaffirmed this and noted that

in an interview study of two factories conducted by Argyris it was found that an understanding of the psychological contract would develop amongst the foremen and employees. Furthermore, in this relationship foreman would respect the norms of the informal culture of the workers. In addition, De Vos *et al.* (2001) suggested that organisations are required to display respect to employees thereby, understanding the personal situations of the employee. Robinson and Rousseau's (1994) study suggested that when a psychological contract is violated or infringed there are various responses that will be much more severe than in the case of any perceived unfulfilled expectations. This is in reaction to increasing general beliefs about respect for employees, employee codes of conduct including other patterns of behaviour within the employer-employee relationship.

In this study it was further noted that a small amount of employees (4.3%) place low importance on being loyal to the organisation. In a study, Lee (2006) explained that loyalty in the workplace leads an employee towards job satisfaction and positively correlates with job satisfaction of employees. Cole (2000) further stated that employees remain loyal when they perceive that they have a sense of value and a sense of pride and thus, work to their full potential. Furthermore, Van Knippenberg (2000) suggested that employees demonstrate high levels of loyalty and remain in the organisation when they identify themselves within a group and contribute to the performance as a group. De Vos *et al.* (2003) affirmed that the development of the psychological contract has been used as an important construct to provide explicate understanding of employee behaviour and attitudes towards their loyalty. According to Mueller, Wallace and Price, (1992), loyalty further intervenes in an employee's decision to quit or stay within an organisation. However, it is evident in this study that a fair amount of employees place high levels of importance on loyalty (61.8%).

#### **6.2.1.2. THE IMPORTANCE TO EMPLOYEES FOR HAVING THEIR EXPECTATIONS MET**

The study indicated that a significant percentage of respondents place high levels of importance on treating employees with respect (83.9%), acting with integrity, staying true to its values and beliefs (82.9%) followed by treating all employees equitably and fairly. According to Coyle-Shapiro and Conway (2005), it is imperative to recognise the employee expectations relating to that social exchange which may assist in identifying the factors that profile employee perceptions under the conditions of the psychological contract. Aityan and Gupta (2012) noted that when an organisation shows respect to its employees and acknowledges their achievements and contributions to the organisation's success, it definitely builds employee loyalty. This is further evident in the study where respondents displayed moderate levels of loyalty.

Furthermore, Aityan and Gupta (2012) identified that employees look for a stable and productive workplace that is enshrined with fairness, respect and equality. However, it is imperative that both the employer and employee need to come to a point of agreement on these differences and identify goals that motivate the other to ensure that expectations are met. A study conducted by Aityan and Gupta (2012) revealed a significant difference between the organisation and employees in the assessment of the employer-employee relationship. The employer assessed the situation positively for the most part, whilst employees provided either neutral or negative feedback. It was found organisations that are loyal towards employees and considers their interests were perceived as one where employers respect their employees. It was noted that the overall employee-employee relationship has improved (Aityan & Gupta, 2012).

In this dimension, respondents attached low levels of importance to having their expectations met in terms of providing personal growth and development opportunities and career development opportunities. However, various researchers have noted that career development opportunities are an important factor affecting retention (Agarwal & Ganjiwale, 2010; Hall & Moss, 1998; Shoaib *et al.*, 2009). Furthermore, organisations are recommended to invest in the advancement of employees and Hall (2002) reaffirmed that career development opportunities are vital for both the employer and the employee.

#### **6.2.1.3. TO WHAT EXTENT EMPLOYEES BELIEVE THE ORGANISATION HAS TO MEET EXPECTATIONS**

This study further identified that employees perceived that organisations have high levels of obligation to acting with integrity (83.2%), staying true to its values and beliefs, treating all employees fairly and equitably (82.3%) followed by treating employees with respect (81.9%). This is reflective from the previous dimensions of the factors previously measured. However, some respondents (10.6%) perceive that the organisation has no or minor obligation towards providing career development opportunities.

Naude and Van Niekerk (2004) noted that a supportive relationship between the employer and employee is developed only when a positive relationship is shown. Thus, mutual respect, trust and integrity need to be created and maintained. Furthermore, Naude and Van Niekerk (2004) concluded that these are essential factors to maintain a relational psychological contract. In addition, a relational psychological contract provides affective bonding between the employee and employer. Thus, employees with relational psychological contracts display high levels of motivation and are devoted to their organisation.

#### **6.2.1.4. THE EXPECTATIONS EMPLOYEES BELIEVE THEIR ORGANISATION HAS OF THEM**

It is evident from this study that employees attach high levels of obligation (80%) towards acting with integrity, staying true its values and beliefs and a moderate amount of employees (76%) attach high levels of obligations towards the organisation in treating all employees fairly and equitably. The study further identified that employees (22.7%) placed no or minor levels of obligation in providing a competitive remuneration. A study conducted by Shoaib *et al.* (2009) revealed that rewards positively correlates with employee retention. Thus, the higher the rewards and remuneration in the organisation will result in increased levels of employee retention thereby, significantly impacting employee retention.

#### **6.2.1.5. HOW IMPORTANT DO EMPLOYEES BELIEVE IT IS FOR THE EMPLOYER TO TRUST THE EMPLOYEE**

The study further identified that the majority of employees (90.8%) attach high levels of importance on the employer trusting the employee. Cable (2008) indicated that trust is a vital component with regards to the psychological contract management. Furthermore, Clinton and Guest (2004) cited that trust intercedes the relationship between performance and contract breach, commitment, intention to quit and job satisfaction. According to Cable (2008), trust is underpinned in the employer-employee relationship once the psychological contract is accepted by employees displaying positive work behaviour, whilst benefiting both parties.

In a study conducted by Freese and Schalk (1996) it was found that where perceptions of the psychological contract fulfilment were higher, employee identification with the organisation was also higher. Conversely, if low levels of employee-employer trust were cited, then organisational identification will be low. Likewise, if an employee did not anticipate the organisation to respect its obligations, under the terms and conditions of the psychological contract, then organisational identification is perceived to be low.

#### **6.2.1.6. HOW IMPORTANT IS IT FOR EMPLOYEES TO TRUST THE EMPLOYER**

Trust is a factor assessed in the current study and is put forward as a critical factor in the psychological contract. In this study, it has been identified that the majority of the employees (89.1%) attach high levels of importance to trusting the employer. Cable (2008) indicated that the higher levels of trust offer a further favourable environment conducive to the development and preservation of healthy psychological contracts. Various researchers have indicated that a breakdown in the fulfilment of obligations between both parties will lead to negative consequences such as distrust, which is robustly related to the violation of the psychological contract and intention to leave (Robinson & Rousseau, 1994; Shore & Tetrick, 1994).

#### **6.2.1.7. RELATIONSHIPS BETWEEN THE PSYCHOLOGICAL CONTRACT DIMENSIONS**

This study has identified that there is a significant and direct relationship between employees' expectations of their organisation and the importance these employees attach to these expectations. In addition, the implication is that as the importance these employees attach to their expectations increases, so too do their expectations of their organisation in order to fulfil their expectations.

It was further identified that the correlation coefficients reflect strong relationships with greater importance and expectations being reflected on the following factors:

##### **➤ PROVIDING COMPETITIVE REMUNERATION AND REWARDS**

This study reflects that providing competitive remuneration and rewards has a direct impact and an immediate effect on the employee. Thus, the obligations are construed as the way in which employees perceive their organisation to behave towards them. The current study identified that there are a significant amount of respondents (73.3%) that perceives the organisation to have high levels of obligation in providing a competitive remuneration. Furthermore, employees (82.5%) attach high levels of importance to competitive remuneration and rewards in having their expectations met.

According to Pfeffer (1998) and Woodruffe (1999), an attractive remuneration package is identified as a widely used retention factor. However, research has indicated that there is inter-individual variability in the significance of financial rewards for retaining employees. On the contrary, a study conducted by Bevan (1997) revealed that 10% of employees who exited their organisation attached levels of dissatisfaction with pay as a main reason for quitting. Although various researchers have identified financial rewards (remuneration) as a poor motivating factor, it remains an approach used currently by various organisations to ensure employees remain committed (Cappelli, 2001; Mitchell *et al.*, 2001; Woodruffe, 1999). Furthermore, Horwitz *et al.* (2003) found that the most accepted retention strategies are still allied to compensation.

A study conducted by Shoaib *et al.* (2009) revealed that rewards correlate positively with employee retention. This implies that higher rewards in an organisation will lead to an increase in employee retention.

#### ➤ **MAINTAINING ACCEPTABLE NORMS AND VALUES**

The current study identified that there is a significant amount of respondents (75.3%) that perceive the organisation to have high levels of obligation to providing and maintaining acceptable norms and values. Furthermore, employees (76.3%) attach high levels of importance towards maintaining acceptable norms and values in having their expectations met.

The factor in this dimension measures the concept of organisational culture. This looks at the collection of values and norms that are shared by people and groups in an organisation and directs their interaction with each other. Wager and Hollenbeck (1998) have the same opinion as Goldhaber and Barnett (1988) that within the culture of every organisation is an assortment of essential norms and values that shape employees' behaviour and enables them to relate with the organisation better. Essential norms and values like these are the ultimate source of thoughts, feelings and shared perceptions, representing the culture of an organisation. Suikkane (2010) confirmed in a study that when employees' beliefs, values and attitudes are in line with an organisations' values retention is higher.

#### ➤ **SUPPORTING EMPLOYEES IN MAINTAINING WORK-LIFE BALANCE**

The current study identified there is a significant amount of respondents (61.1%) that perceives the organisation to have high levels of obligation to maintaining a work-life balance. Furthermore, employees attach high levels of importance towards having their expectations met in terms of maintaining work-life balance (67.5%).

Work-life balance is considered to be relevant in addressing the needs of employees who attach high levels of importance to the quality of work-life due to an increase in work pressure. According to Anderson *et al.* (2002) and Kossek and Ozeki (1998), policies need to be implemented to improve work-life balance which allows employees to make meaningful choices.

McCrory (1999) indicates that previous researchers have indicated that employee's place high importance on work-life initiatives.

A study conducted by Shoaib *et al.* (2009) indicated that work-life policies have an impact on employee retention, encouraging employees to remain in the organisation and further elaborates that providing work-life balance initiatives increases employee loyalty and employee intentions to stay.

#### ➤ **PROVIDING EMPLOYEES WITH RESOURCES TO CARRY OUT THE JOB**

The current study identified there is a significant amount of respondents (79%) that perceive the organisation to have high levels of obligation to providing resources to carry out the job. Furthermore, employees attach high levels of importance towards having their expectations met in terms of having resources to carry out the job (80.9%).

The study found that employees attach high levels of obligation towards their employers on providing resources in order for them to carry out their job efficiently. Providing adequate resources will ensure employees remain committed and involved as part of their expectations and hence, employees will experience high levels of job involvement which are key to quality and productivity improvements. In addition, providing employees with resources will further increase their focus towards their jobs.

#### ➤ **CREATING AN ENVIRONMENT IN WHICH PEOPLE WORK TOGETHER**

The current study identified there is a significant amount of respondents (64.5%) that perceives the organisation to create an environment in which people can work together efficiently and effectively. Furthermore, employees attach high levels of importance towards having their expectations met in terms of creating an environment in which people work together (69.8%).

It is evident that the psychological contract has become an important tool that affects the way people work. Herriot *et al.* (1997) noted that organisations are experiencing major challenges in the employment relationship; thus, the changes in the psychological contract offers a way forward for organisations to manage the challenges through effective human resource initiatives.



Briner (2000) noted that the work environments display both positive and negative impacts on the psychological well-being of employees. In addition, Roehling *et al.* (2000) established that the social contracts between contemporaries and departments are a critical feature in the psychological contract with regards to retaining talent. Thus, organisations need to create a positive social atmosphere. In doing so, organisations should stimulate interaction and shared cooperation among employees and facilitate this through transparent, honest and open communication between the employer and employees.

### ➤ **PROVIDING PERSONAL GROWTH AND DEVELOPMENT OPPORTUNITIES**

The current study identified that more than half of the respondents (52.3%) perceive that the organisation has high levels of obligation to provide personal growth and development opportunities. Furthermore, employees (62.2%) attach high levels of importance towards providing personal growth and developmental opportunities in having their expectations met.

The study further identified that employees perceive high levels of obligation toward organisations providing career development opportunities. Hall (2002) and Prince (2005) cited that career development is beneficial to both the employer and employee. Thus, it is important to ensure that organisations gain and maintain a competitive advantage by developing employee competencies. Essentially, career development refers to opportunities for promotion, availability of development opportunities and pursuing these opportunities.

In addition, Cable (2008) noted that it is vital to reinforce the career development aspect of the psychological work contract central to employees and older worker's movement in the organisation, namely, two career motives which are career plateau and their desire for promotion. Likewise, Atkinson (2001) also noted when organisations fail to provide older plateaued workers with interesting work thereby, resulting in a change of jobs. Thus, it is imperative to ensure employees have interesting and challenging work, along with developing good relationships with other employees were often cited as reasons for remaining in the organisation.

Rhodes and Doering (1993) found a high variance in employee career change due to the lack of career enhancement. Furthermore, Cable (2008) added that a decline in promotional opportunities that are available within the organisation will result in decreased levels the lower commitment and will potentially lead to employees leaving. The relationship between career development opportunities and turnover may occur due to various factors including age, tenure and perceived employment alternatives.

### ➤ **TREATING EMPLOYEES WITH RESPECT**

The current study identified there is a significant amount of respondents (81.9%) that perceives that the organisation to treat employees with respect. Furthermore, employees attach high levels of importance towards having their expectations met in terms of treating employees with respect (83.9%).

The study further identified that being treated with respect will contribute to having employee's expectations met in addition to the employer fulfilling obligations to do so. In a study conducted by Sonnenberg (2006) suggested that a perceived employer obligation is respect, candid and fair treatment. According to Aityan and Gupta (2012), if an organisation displays high levels of respect to its employees and acknowledges their achievements and contributions to the organisation's success, employee loyalty will be enhanced. The study further identified that more than half of their respondents perceive that their employer does not respect the employee which is regarded as a mismatch in respect. However, a similar mismatch can occur when employees do not respect the employer.

The current study further investigated the relationship between the organisation's expectations of the employee and the importance of employees meeting those expectations and identified that there is a significant and direct relationship. The implication is that as employers' expectations of their employees to fulfil their needs increase, so too does the importance that the organisation attach to these needs. The correlation coefficients also reflect strong relationships with greater importance and expectations being reflected with regard to the expectations which employers perceive employees have an obligation to fulfil, namely:

### ➤ **FULFILL THE FORMAL EMPLOYMENT CONTRACT**

The current study identified that a significant amount of respondents (74.7%) believe that fulfilling the formal employment contract are the expectations that the organisation has of employees. Furthermore, employees (79.3%) attach high levels of importance towards fulfilling the formal employment contract in order to meet expectations.

The study identified the importance the organisations attach to employees fulfilling the employment contract. Cable (2008) further identified that the perceptions and expectations from the employer forms a critical component of the psychological contract. Furthermore, Cable (2008) noted that the majority of the respondents cited an open-ended employment contract which indicated that an expected and on-going relationship with their organisation is perceived.

Likewise, Anderson and Schalk (1998) iterated that mutual obligations are the focal point in the employee-employer relationship. In addition, mutual obligations may be to some extent documented in the formal employment contract; thus, it is regarded as implicit.

### ➤ **EXPRESS SUPPORT OF EMPLOYEES**

The current study identified that there is a significant amount of respondents that believe that expressing support of employees are the expectations that the organisation has of them (65.5%). Furthermore, employees attach high levels of importance towards having their expectations met in terms of the organisation expressing support to them (74.6%).

The study identified the importance the organisations attach to providing a supportive working environment to employees. Employees placed high levels of obligation towards employers providing support to them and on employees receiving support to ensure that their expectations are met. Blau, Tatum, and Ward-Cook (2003) further identified that organisations that provide less support to their employees experience greater levels of turnover.

### ➤ **MAINTAIN ACCEPTABLE NORMS AND VALUES**

The current study identified that a significant amount of respondents believe that maintaining acceptable norms and values are the expectations that the organisation has of employees

(71.4%). Furthermore, employees (76.7%) attach high levels of importance towards maintaining acceptable norms and values in order to meet expectations.

The study identified that employees perceive the organisation needs to attach high levels of obligation towards maintaining norms and values. Furthermore, the study also indicated that employees attach high levels of importance to their expectations being met in terms of norms and values.

According to Cable (2008), it is imperative that employees honour their obligations and hence, they will be more likely to believe they are cultivating and embracing the relationship between themselves and the organisation. In addition, to maintaining high levels of commitment to the organisation and job, employees are required to subscribe to the organisation's norms and values. Thus, employees will portray characteristics of a good corporate citizen and perceive to be cultivating the relationship with the organisation. Cable's (2008) research elaborated that maintaining norms and values relates significantly with the organisation's obligations and may be interpreted as conveying the ways in which employees perceive the organisation to behave in general.

### ➤ **COMMUNICATING ORGANISATIONAL KNOWLEDGE**

The current study identified that more than half of the respondents (52%) believe that communicating organisational knowledge are the expectations that the organisation has of employees. Furthermore, employees (67.8%) attach high levels of importance towards communicating organisational knowledge in order to meet expectations.

According to Conway and Briner (2005), it is essential to understand knowledge sharing perceptions among employees; thus, knowledge management involves the creation, sharing, validation, utilisation, and management of both tacit and explicit organisational knowledge. Furthermore, O'Neill and Adya (2007) noted that different psychological contracts exist among knowledge workers. Although psychological contract perceptions exist among various workplace dimensions it is vital to take cognisance of the knowledge sharing component of the psychological contract. Thus, this type of psychological contract places an emphasis on the

knowledge sharing component which is directed to highlight the importance of the employment exchange relationship.

#### ➤ **PROVIDE CAREER DEVELOPMENT OPPORTUNITIES**

The current study identified that a minor amount of respondents (43.5%) believe that organisations are highly obligated to employees to provide career development opportunities. Furthermore, employees attach high levels of importance towards pursuing career development opportunities to in order to meet expectations (61.6%).

In a study conducted by De Vos *et al.* (2006), human resource managers identified that career development is a fundamental factor affecting voluntary employee turnover and employee retention. Furthermore, it supports efforts to work out retention policies and procedures central to providing career development opportunities. Hall and Moss (1998) and Janssens *et al.* (2003) cite that a notable expectation of employees is that they are no longer concentrating on commitment and loyalty but are seen as a value add and being responsible for one's own career development and progress.

#### ➤ **IMPORTANCE OF EMPLOYER-EMPLOYEE TRUST**

The study indicated that there is a significant relationship between the importance employees attach for their employer to trust them and for them to trust the employer in return. In many instances the main concerns of a healthy employment relationship is the issue of trust. Guest and Conway (2002) identified that a key indicator of trust for employees is whether or not the organisation has fulfilled the psychological contract.

In addition, Cable (2008) noted that decreased levels of trust between the employee and employer and have the ability to challenge the psychological contract process and hence, resulting in the infringement. However, the current study identified that employees perceive higher levels of trust from their employer whilst, more than half of the respondents cite that they trust the employer. High levels of trust in an organisation indicate a sound and resilient working environment conducive for healthy and potentially fulfilled psychological contracts. Likewise, it can be concluded, the fulfilment of the psychological contract can lead to increased levels of

trust and hence, trust can be regarded as pivotal in this mutual relationship between the employer and employee.

## **6.2.2. EMPLOYMENT INFORMATION**

### **6.2.2.1. JOB SATISFACTION**

The study identified that employees experience moderate levels of job satisfaction (67.4%) in their current job and enjoy working in the organisation. According to Cable (2008), if employees experience high levels of satisfaction in their job they will be obligated to meet the expectations they perceive the organisation has of them in terms of the psychological contract. The study further acknowledged that some employees (14.8%) displayed low levels of job satisfaction. Furthermore, high levels of job satisfaction imply the likelihood of a correspondingly high commitment to the employment relationship. Likewise, by proactively managing the employment relationship employees will be more inclined to acknowledge their obligations under the psychological contract, given that the job provided by the organisation is fulfilling their basic needs.

A study conducted by Lee and Mowday (1987) established that a relationship between job satisfaction and intention to quit exists which have been reported by various researchers (Firth, Mellor, Moore & Loquet, 2004; Hom & Griffeth, 1991; Vancouver & Schmitt, 1991). On the other hand, various research studies conducted in diverse surroundings established a significant negative correlation between job satisfaction and turnover intention. Rahman, Raza and Ismail (2008) identified that job satisfaction had negative effects on turnover intentions of IT professionals whereas Khatri and Fern (2001) affirmed that there was a modest relationship between job satisfaction and turnover intentions. In addition, Sarminah (2006) established a moderate relationship between job satisfaction and turnover intentions. However, according to Brough and Frame (2004), job satisfaction is measured as a strong predictor of turnover intentions.

#### **6.2.2.2. VALUES (HOW WELL EMPLOYEES BELIEVE THEIR VALUES MATCH THE ORGANISATION)**

The study identified that employees (65.2%) perceive that their values are congruent to the organisation's values. Cable and DeRuse (2002) identified if the employee-employer value congruence is low, then the employee would be unlikely to identify with the organisation. Thus, there would be low levels of trust of the organisation's motives and hence, employees will be less inclined to contribute to citizenship behaviours, and be more likely to leave the organisation. Studies by various researchers have indicated that as the employer-employee relationship develops, the assessment of congruence will be re-assessed based on socialisation processes and the ongoing employment experience with the employees' perception of fit being modified. The indication of strong person-organisation fit will result in positive behaviours stemming from stronger organisational commitment, enhanced job satisfaction, and improved levels of organisational citizenship behaviour. Thus, when person-organisation fit is weak there is a high probability of employees leaving the organisation. Thus, positive employment experiences will likely result in the perception of fit increasing, and vice versa (Cable & Judge, 1996; Kristof, 1996; Lauver & Kristof-Brown, 2001).

#### **6.2.2.3. EMPLOYEE COMMITMENT**

It is evident from the study that more than half of the respondents (54.6%) perceive that they would be happy if they spent the rest of their career in the organisation. This is a vivid indicator that these employees possess high levels of commitment. According to Greenberg and Baron (2000), employee commitment is the degree to which employees identify and are involved with the organisation and have no desire or intention to leave. Begin (1997) confirms that employee commitment is seen as employee loyalty and support to the organisation in achieving its goals. O'Reilly and Chatman (1986) identified that employee commitment is a psychological attachment felt by the employee for the organisation. Bragg (2000) cited that commitment is a two-way street and suggested that if employers require committed employees, employers need to be committed as well.

Furthermore, the study identified that a moderate amount of respondents (41.1%) perceive that they would not feel guilty if they leave the organisation immediately. Essentially, employees who feel this display low levels of commitment due to the fact that there is a vast gap between the expectations of employers and what they are required to do. Furthermore, Van Dyne and Graham (1994) confirmed that there are various factors that can impact on employee commitment, namely, personal, situational and positional influences. In addition, a violation of the psychological weakens employee commitment and hence, increases employees' intention to seek alternative employment (Lemire & Rouillard, 2005).

#### **6.2.2.4. ORGANISATIONAL SUPPORT**

This study identified that employees (37.2%) perceive that the organisation takes advantage of them. Furthermore, respondents (27%) perceive that the organisation will not forgive an honest mistake. According to Bishop, Goldsby and Neck (2001), organisational support refers to when an employee believes that the employer values his or her contributions made to the organisation in addition to caring for their wellbeing. Thus, employees will be inclined to reciprocate by putting forward greater effort.

In terms of organisational support, this study further concluded that employees (29.6%) perceive that the organisation provides little support in considering their goals and values. However, some respondents perceive that the organisation is willing to assist when they encounter a problem (33%). Cable (2008) noted that employees who perceive high levels of organisational support respond with positive behaviours influencing performance and other measures of organisational effectiveness and display increased levels of job commitment. In terms of the psychological contract, Wayne, Shore and Linden (1997) argued that organisations promote the development of strong social exchange relationships by providing a recognition programme for employees. However, in a study conducted by Guest and Conway (2001) indicated that employees display high levels of willingness to support the organisation, than vice versa. Employees have attitudes and behaviours that reflect the level of commitment; hence, it is vital that the employer seeks to balance this commensurately.



According to Eisenberger, Armeli, Rexwinkel, Lynch and Rhoades, (2001), an organisation may possibly expect perceptions of perceived organisational support to manifest through reciprocation. In addition, Coyle-Shapiro and Kessler (2002) noted the reciprocity factor within the psychological contract and argued that if an organisation meets the obligations of employees and employees believe it has, then employees will meet the obligations they believe the organisation has of them and hence, employees will alter their behaviour and attitude by reciprocating the treatment offered by the employer.

The study proposes that if employees perceive high levels of organisational support, they will be both more committed and loyal to the organisation; thus less inclined to leave. Research has identified a positive relationship between perceived organisational support and commitment to the organisation (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Guest & Conway, 2001; Rhoades *et al.*, 2001; Shore, 1991).

#### **6.2.2.5. CAREER STATUS**

The current study identifies that more than half (53.6%) of the respondents perceive that their opportunities for promotion have been limited. According to Bedeian, Kemery and Piolatto (1991), organisations that are reluctant to present developmental career growth opportunities are said to face double jeopardy where their turnover for competent and committed employees will increase, whilst decreasing for employees who do not show high levels of commitment.

A study conducted by Cable (2008) indicated the availability of promotional opportunities is perceived by employees, under the terms of the psychological contract, as an obligation on the part of the organisation. Thus, under these fluid conditions, organisations possess a high tendency to lose highly skilled and competent employees due to their mobility to seek alternative employment whereas less mobile employees remain in the organisation. Furthermore, Scholl (1983) and Nicholson (1993) cited that employees who pass an expected promotion point display low levels of intention to remain in the organisation and will seek alternative employment. However, Nicholson also identified that plateaued employees possess low levels of desire to quit than other groups indicating acceptance by plateaued employees of their career status.

#### **6.2.2.6. IMPORTANCE OF WORK**

The study identified that in terms of how important work is to employees, it is evident that respondents perceive that the most important things that occur in their life do not involve work (30.9%) and does not believe that life is worth living when they are absorbed in their work whereas other employees perceive that work is not a small part of their life (30.6%) and believe they are involved in their work (51%). Cable (2008) noted that the importance of work to employees can impact on the obligations they perceive themselves to have towards the organisation. Furthermore, acknowledging such obligations will enhance the levels of importance to all employees and possibly will also be rated as less important to employees who rate the importance of work lower. Likewise, the significance of this relationship is cultivated through the belief that, as employees display low levels of importance to work in their lives, any obligations they have to the organisation will also be less important, including any obligation to meet expectations employees perceive the organisation may have under the conditions psychological contract. Thus, Cable (2008) identified, employees less involved in work, rate the extent to which they perceive they are obligated to meet the expectations they perceive the organisation has of them, under the terms and conditions including the content of the psychological contract, lower than employees with increased levels of involvement.

#### **6.2.2.7. INTENTION TO SEEK ALTERNATIVE EMPLOYMENT**

The study indicated that employees have no intention to seek alternative employment (49%) and employees believe they will not be looking for a new job in the following year (40.5%); thus, confirming their commitment. Furthermore, employees cite that they are not actively searching for a job (53.6%). However, other employees reflect that will soon quit their job (49%).

Clinton and Guest (2004) noted the relationship between the content of the psychological contract and intention to quit and between fulfilment of the contract and intention to quit. The relative strength of these two relationships indicated that the content of the psychological contract impact on an employee's intention to quit, than non-fulfilment of the contract. Despite the findings of Clinton and Guest (2004), other research studies conducted stated that the non-fulfilment of the psychological contract will lead to greater intentions of individuals to leave the organisation (Cable, 2008). Griffeth *et al.* (2000) identified numerous factors which are the

causes of employee turnover, namely, lack of organisational commitment, job dissatisfaction, comparison of alternatives, and intention to quit. The study explored the relationship between pay, an employee's performance and turnover and found that if high performing employees are inadequately rewarded, they are most likely to leave the organisation to seek alternative employment.

In addition, Tett and Meyer (1993) confirmed that high levels of intention to quit suggest low levels of commitment to the employment relationship. However, Cable (2008) suggested that accepting this, employees may be less inclined to proactively manage this relationship by not recognising their obligations under the terms and conditions of the psychological contract, given that they are intending to quit.

Furthermore, a significant amount of studies have indicated the nature of the relationship between psychological contract fulfilment, non-fulfilment (violation) and employee turnover intentions (Kotter, 1973; Lemire & Rouillard, 2005; Lester & Kickul, 2001; Robinson, 1996; Shore & Barksdale, 1998; Sutton & Griffin, 2004). An infringement of the psychological contract increases an employee's intention to leave or seek alternative employment.

#### **6.2.2.8. JOB INVOLVEMENT**

This study reflected that respondents perceive that they are highly involved in their job (41.1%). According to Blau (1987), job involvement refers to the extent to which the individual perceives their job to be important. Furthermore, the current study identified that employees perceive that their interests are not centered around their job (40.2%). According to Freund and Carmeli (2003), a positive correlation between job involvement and work centrality supported the argument that employees who display high level of involvement in their job are expected to view work as being central to their lives.

Evidently from the study, employees who do not identify strongly with their job show low levels of involvement and hence, are less likely to perceive they are obligated to meet the expectations they believe the organisation has of them, under the terms and conditions of the psychological contract. Cable (2008) identified that low job involvement implies there are correspondingly low

levels of commitment to the employment relationship. Furthermore, acknowledging this, employees may be less inclined to proactively manage this relationship, by ignoring their obligations under the terms and conditions of the psychological contract. Millward and Hopkins (1998) made use of the term job commitment which is defined as embracing the involvement within a job. Furthermore, it was identified that a positive relationship between high levels of job commitment and the psychological contract exists.

### **6.3. CONCLUSION**

This chapter discussed the results and outcomes of the study, which was then compared and contrasted with the findings of previous research. The results of the study indicated that there is a relationship between the psychological contract and employee retention. It is imperative to note the expectations the employees attach high levels of importance to and the perceptions they have of the organisation in meeting their expectations and vice versa.

## **CHAPTER 7**

### **RECOMMENDATIONS AND CONCLUSION**

#### **7.1. INTRODUCTION**

Based on the results of the study, recommendations will be made to enhance the understanding of the relationship between the psychological contract and employee retention. The study further evaluated employee perceptions of the psychological contract and the dimensions of the employment information (importance of expectations, trust, career status, intentions to seek alternative employment, employee commitment, involvement, support, job satisfaction and congruency between personal and organisational values) respectively. Recommendations will also be presented for future researchers to enhance their research design of studies pertaining to the psychological contract and employee retention, so as to obtain a wider spectrum of results that are more generalisable, valid and reliable.

#### **7.2. RECOMMENDATIONS BASED ON THE RESULTS OF THE STUDY**

##### **7.2.1. PSYCHOLOGICAL CONTRACT**

In terms of the psychological contract dimensions, the study identified the importance for employees to trust the employer. The current study identified that employees do not attach high levels of importance towards trusting the employer. Similarly, same levels of trust were placed on the importance of the employer trusting the employee. Robinson and Rousseau (1994) observed that trust is an important outcome variable concerning psychological contracts. The implication of low levels of trust can lead to the infringement/breach of the psychological contract. Literature over the years have illustrated that a violation can diminish the level of intention to stay and job satisfaction and, increase psychological strain on the employee-employer relationship (Kraft, 2008). Thus, it is imperative for employers to create an environment of mutual trust under the conditions of the psychological contract. Furthermore, the current study established the perceived obligations of the employer or employee which effectively become the expectations of each other. Thus, a trusting relationship is essential to each other to fulfil their obligations and meet expectations.

The study established that employees attach low levels of expectations from the organisation to provide a competitive remuneration. Perhaps, this implies that the employer perceive that employees are satisfied with their salary assuming their remuneration is aligned to the market or perhaps, employees have learnt to expect no better from the organisation. It is imperative to note that various studies mentioned in this study reflect a correlation between pay and intention to quit. In addition, organisations need to win the commitment and loyalty of employees by offering competitive and attractive remuneration packages.

The results have shown that a fairly small range of employees perceive that organisations have no or minor obligations to providing career development opportunities whilst, also a small range of respondents attach high levels of expectations from the organisation to provide career development opportunities. Shoaib *et al.* (2009) noted that career development is regarded as a planned effort in achieving a balance between individual career needs and organisational requirements. Furthermore, in a study conducted by Shoaib *et al.* (2009) established that there is a significant relationship between career development opportunities and employee retention. Thus, it is essential that organisations provide more career opportunities to employees thereby, enhancing employee retention greatly. By providing adequate career development opportunities, employees will perceive their expectations are being met by having a career that is well defined with opportunities to grow and develop. In addition, such desirable opportunities will lead them to remain in the organisation thereby, contributing to increased levels of loyalty.

Furthermore, the study established that some employees attach low levels of importance to career development opportunities being fulfilled by the organisation. Similarly, a small amount of respondents, just a little more than half of the respondents attach high levels of importance to organisations providing career development opportunities. It is imperative that employees become cognisant of career development opportunities provided by the organisation and avail themselves to such opportunities. Whilst the results indicate that a little more than half of the respondents place high levels of importance on career development opportunities there is room for improvement. It is essential to note that the extent of the obligations of the organisation under the psychological contract in providing career development opportunities may be rated higher by individuals who perceive they have plateaued. Similarly, the study established that

employees attach low levels of importance for the organisation to provide personal growth and development opportunities. Although a moderate amount of employees attach high levels of importance to pursuing career development opportunities, it is evident throughout the study that there is further room for improvement. Career advancement is a vital component of the psychological contract. Allen, Shore and Griffeth (2003) found that employees that receive more training display low levels of intention to leave the organisation than those who receive no training. It is essential that organisations provide career development opportunities as a strategy in achieving career resilience. Paying closer attention to career development will allow organisations to address the changing expectations and address the needs of employees under the conditions of the psychological contract.

The study further established that some employees attach low levels of importance to being loyal to the organisation. The study further established that loyalty is a perceived obligation under the terms of the psychological contract. Although a significant number of employees attach high levels of importance towards being loyal to the organisation, those who attach low levels of importance to loyalty may easily breach the psychological contract resulting in those employees leaving the organisation. Thus, it is imperative that organisations ensure that employees remain loyal by meeting their expectations. The study identified that employees attach high levels of obligation towards their organisation treating employees equitably, fairly and with respect in addition to acting with integrity and staying true to its values and beliefs. Furthermore, employees attach high levels of importance towards these factors in having their expectations met. Thus, organisations are required to continue fulfilling these expectations and obligations fulfilled, resulting in employee loyalty. De Vos and Meganck (2006) established that organisations need to evaluate their promise fulfilment and identified promises of career development opportunities as the most predictive factor of intention to leave resulting in employees seeking alternative employment. Thus, loyalty is strongly illustrated by the fulfilment of promises relating to career development.

### **7.2.2. EMPLOYMENT INFORMATION**

The results of the study in this dimension, established that a significant amount of employees perceive that they are not getting ahead in the organisation nor do they believe they can move higher in the organisation. Furthermore, a significant amount of employees perceive that their opportunities for promotion have been limited. This result directly indicates that these employees will seek alternative employment and leave the organisation. On the contrary, in a study conducted by Nicholson (1993) identified that plateaued groups of employees displayed low levels of intention to quit than other groups signifying its approval by plateaued employees of their career status. Furthermore, in the current study, these employees would have attached higher levels of obligation to organisations providing career development opportunities and attach high levels of importance to pursuing career development opportunities, than other respondents. Organisations need to ensure that these employees are provided with adequate career development opportunities under the terms (content) of the psychological contract. In addition, the employer needs to be cognisant of the career dynamics of employees and provide alternative methods to make their jobs more satisfying. Essentially, organisations need to establish an environment where employees are given the opportunity to advance in their careers thereby, enabling employees to attain the relevant knowledge and skills. Furthermore, this will ensure that employees position themselves for opportunities for advancement should there be limited chances for upward mobility, namely, lateral advancements and job rotation.

According to Gunz (1989) and Yamamoto (2006), employees who have plateaued display high levels of intention to quit due to the lack of opportunities. Career plateau negatively impacts job satisfaction, performance and motivation. Furthermore, Ongori and Agolla (2002) found that employees may take career plateau as a shock thereby, affecting their performance. In addition, the current study identified that a significant amount of employees perceive that they have reached a point where do not expect to move higher in the organisation whereas, employees should use upward movement in the organisation as a yardstick to measure their own performance. Thus, in its absence employees will become demotivated.

The study further identified that there are a moderate amount of employees who intend on quitting the organisation, or are in the process of seeking alternative employment in the near



future. Employee retention is a vital factor that determines an organisation's success. Thus, organisations need to determine adequate strategies to ensure that they retain their best talent. The study identified that organisations have high levels of obligations towards providing a competitive remuneration amongst the other factors that employees attached high levels of obligation on the part of the organisation (identified in chapter 5). Thus, it is imperative that organisations take these into cognisance by evaluating what the employees perceive as important and places high levels of importance to evaluating their efforts in fulfilling these obligations. Furthermore, when employees perceive their expectations of the organisation are not being fulfilled they will seek alternative employment. In addition, various studies have indicated that the following factors significantly affect employee retention:

- Ramlall (2003) found that remuneration, challenge in one's work, career advancement opportunities (inability to grow), lack of recognition, lack of team work, ineffective leadership and work environment impacted an employee's decision to remain in the organisation. In addition, compensation and rewards and recognition were rated main reasons for leaving respectively.
- Griffeth *et al.* (2000) identified numerous factors which are the causes of employee turnover, namely, lack of organisational commitment, job dissatisfaction, comparison of alternatives, and intention to quit.

The study further identified that a significant amount of employees perceive that they would not feel guilty if they leave the organisation, which is a clear indication of low levels of commitment from the employees. Furthermore, it is evident that employees believe that they will leave the organisation and do not owe a great deal to the organisation. In the current study, the dimension of employee commitment further propagates employee attitudes and mindsets towards the organisation. Although the study has indicated that there are employees who are committed to the organisation and believe their lives will be disrupted if they leave, it is essential to focus on those employees who do not display high levels of employee commitment and believe the opposite. It is imperative to note that employee commitment has strong correlations with job satisfaction. This is evident in that some employees perceive they are not satisfied with their job. Studies thus far have established that fulfilment of expectations lead to higher levels of commitment, increased employee efforts and positive attitudes of employees (Guest, 1996;

Makin & Cooper, 1995; Rousseau, 1996). Thus, it is recommended that organisations fulfil employee expectations resulting in higher levels of employee commitment and job satisfaction. Furthermore, the organisation can capitalise on providing career advancement opportunities thereby, enhancing employees' commitment to their job and organisation. Organisations can further enhance employee commitment by focusing on employees who identify with the organisation.

It is evident from the study that a moderate amount of employees perceive that their interests are not centered on their job. In addition, the study further established that most employees disagree that they live, eat and breathe their job. Conversely, employees who make their job a central part of their lives focus high level of attention on their jobs and display less unexcused behaviours such as lateness and absences than employees displaying low levels of job involvement (Hackett, Lapierre, & Hausdorf, 2001). However, research has indicated that employees who display high levels of job involvement are more focused towards their job and display low levels of intention to leave the organisation (Blau, & Boal, 1987; Meyer, Allen, & Smith, 1993). Furthermore, employees who display high levels of involvement are more inclined to remain with the organisation. In addition, these employees grow in expertise and, thus, become even more valuable to their employer and the organisation. Research has indicated that job involvement is negatively related to intentions to quit and hence, positively associated with job satisfaction (Mcelroy, Morrow, Crum, & Dooley, 1995; Mcelroy, Morrow, & Wardlow, 1999). In a study conducted by Mohsan, Nawaz, Khan, Sahukhat and Aslam (2009), a positive and significant relationship was noted between employee commitment, job involvement and employee motivation. This indicates that if an organisation devises a strategy to enhance one of these employee jobs related behaviours, the other behaviours would automatically improve.

The current study identified that if employees do not identify strongly with their job, they will display low levels of involvement in their job and hence, will be less inclined to believe they are obligated to meet the expectations they believe the organisation has of them, under the terms and conditions (content) of the psychological contract.

In order for employees to display high levels of involvement in their work, the organisation needs to ensure that employees become more absorbed in their work. Furthermore, the organisation should enhance involvement by increasing job autonomy.

In terms of organisational support, the study further identified that a moderate amount of employees perceive that the organisation does not consider their goals and values. In addition, employees believe that the organisation would not forgive them for an honest mistake on their part. The study identified that if employees perceive high levels of support from the organisation, they will be more likely to believe that they are obligated to meet the expectations they believe the organisation has of them. Furthermore, Cable (2008) identified that employees who have high perceptions of organisational support indicates that there is a likelihood of a correspondingly high level of commitment to the employer-employee relationship.

Coyle-Shapiro and Kessler (2002) explored the context of the psychological contract in terms of reciprocity and established that if the organisation meets the obligations employees believe it has, then employees will meet the obligations they perceive the organisation has of them and hence, employees will adjust their behaviour and attitude in reciprocation of treatment by the employer. Although various studies have established a positive relationship between organisational support and commitment to the organisation (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Guest & Conway, 2001; Rhoades *et al.*, 2001; Shore, 1991), other results illustrates that changes in perceived organisational support impacts changes in both commitment and job satisfaction (Randall, Cropanzano, Bormann, & Birjulin, 1999). However, according to Eisenberger *et al.* (2001), organisational support is negatively related to turnover.

Various studies have found that a negative and significant relationship exists between organisational support and turnover intention and a positive and significant relationship exists between organisational support and commitment (Bishop, Goldsby, & Neck 2001; Cropanzano *et al.* 1997; Guzzo, Noonan, & Elron, 1994). In addition, the relationship between organisational support and intention to quit is fully mediated by organisational commitment. Thus, an organisation can expect perceptions of organisational support to manifest, through reciprocation, in employee behaviours that support the achievement of organisational goals and objectives.

The study identified that a significant amount of employees within the organisation cited that they do not like their job; however, at the same time a significant amount employees cited that they enjoy working in the organisation. In addition, some employees cited they are not satisfied in their job. Thus, employees in this organisation display moderate levels of job satisfaction. According to Robbins (1993), employees who display high levels of job satisfaction appear to have positive attitudes and employees who display negative attitudes towards their job display low levels of job dissatisfaction.

Thus, the current study further established if employees display high levels of job satisfaction they will be more inclined to perceive that they are obligated to meet the expectations they perceive the organisation has of them. According to Rhodes and Doering (1993), job satisfaction and career satisfaction are significantly related to employee's intention to change jobs. Thus, it is a clear indication that dissatisfaction with both the employer and the job itself is a widely accepted reason for employees deciding to quit and leave the organisation. It is imperative to note that various studies have indicated that a relationship between job satisfaction and intention to quit exists (Firth, Mellor, Moore & Loquet 2004; Hom and Griffeth. 1991; Vancouver and Schmitt, 1991).

Employees who perceive they have a greater obligation to meet the expectations of the organisation are more inclined to display high levels of satisfaction (Guest & Conway, 1999). Furthermore, lower levels of job satisfaction and unmet expectations are hypothesised to be significantly associated with increased intentions to quit the current job. In order to increase the levels of job satisfaction, organisations need to build employees' competence through training, feedback recognition and career advancement opportunities. Evidently, employees need to increase their levels of involvement in their job thereby, increasing their levels of job satisfaction.

A moderate amount of employees perceive their values do not match those of their fellow colleagues. It is essential that organisations foster an environment where employees abide and live the values of the organisation. According to Freese (2000), the socialisation process plays a vital role in attaining a person-organisation fit and ensures that employees establish

communication networks. Thus, employees who establish networks and build meaningful relationships tend to remain longer in the organisation.

The last dimension the study explored was the importance of work to employee. The study established that a moderate amount of employees do not believe that the most important things that happen in their life involve work. Evidently, throughout the literature and in the current study has iterated that employees need to become more involved in their jobs, increasing their levels of commitment thereby, increasing the level of job satisfaction. Organisations need to ensure that employees remain engaged in the organisation and hence, attach greater importance to work.

The aforementioned recommendations relating to the dimensions of the psychological contract and the dimensions of employment information are presented graphically in Figure 7.1.

FIGURE 7.1

RECOMMENDATIONS TO ENHANCE EMPLOYEE RETENTION



### **7.3. RECOMMENDATIONS FOR FUTURE RESEARCH**

Future research is required to extend the findings of the research and explore the relationship between the psychological contract and retention of staff in other types of samples within the Banking Sector. The concept of employee retention is ripe for further research; thus, various aspects from this study and the psychological contract can be used to build a broader spectrum on this topic. Furthermore, the research can be further investigated by assessing human resource practices and policies needed under the terms and conditions of the psychological contract. Whilst the current study undertook a cross-sectional approach to data collection, it is recommended that a longitudinal approach be adopted in future studies to obtain employees' perceptions of the psychological contract over a time period as influences such as globalisation, competition and change initiatives constantly prevail. Furthermore, the current study used only one data collection method, namely, the questionnaire. To ensure greater probing and deeper analysis, interviews and focus groups may be utilised.

### **7.4. CONCLUSION**

The primary focus of this research is to assess the level of employees' intention to remain in the organisation and identify the retention factors to ensure that employees remain in the organisation under the terms and conditions of the psychological contract. The results of the study have shown that a relationship between the psychological contract and retention of staff exists and the factors studied do influence employee retention. However, it is imperative to note that the obstacles identified may hinder employee retention. Figure 7.1 illustrates a model that provides recommendations, that when implemented, have the potential to enhance employee retention. The organisation needs to consider the recommendation so that organisations can meet the expectations of employees and vice versa to ensure that the obligations that each party perceives of each other are fulfilled.

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