THE ROLE OF THE PSYCHOLOGICAL CONTRACT
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CONFRONTING HR-MANAGERS' AND EMPLOYEES' VIEWS
ON RETENTION FACTORS AND THE RELATIONSHIP
WITH EMPLOYEES' INTENTIONS TO STAY

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ABSTRACT

This article examines HR managers' and employees' views on the factors affecting employee retention. This is done by integrating findings from the literature on retention management with the theoretical framework of the psychological contract. In a first study a sample of HR managers from a diverse group of public and private firms described the factors they believed to affect employee retention and the retention practices set up in their organization. In a second study, a large and diverse sample of employees reported on the importance attached to five types of employer inducements commonly regarded as retention factors. They also evaluated their employers' delivery of these inducements and provided information on their loyalty, intentions to stay and job search behaviors. The results of both studies are discussed and implications for HR managers are highlighted.

INTRODUCTION

Both researchers and human resource (HR) practitioners agree that the employment relationship is undergoing fundamental changes that have implications for the attraction, motivation and retention of talented employees (Horwitz, Heng, & Quazi, 2003: Roehling, Cavanaugh, Moyhihan & Boswell, 2000; Turnley & Feldman, 2000). Over the past decades, the economic environment organizations work in has changed dramatically. Due to on-going evolutions towards international competition, deregularization and globalization of markets, organizations are required to be more flexible and to increase their productivity. This has reduced the job security of employees at all levels in the organization (King, 2000) but at the same time HR managers are pressed to attract and retain talented employees who have competencies that are critical for organizational survival (Horwitz *et al.*, 2003; Mitchell, Holtom & Lee, 2001; Roehling et al., 2000; Steel, Griffeth & Hom, 2002). Often, however, exactly these employees are difficult to retain due to their tendency to attach more importance to marking out their own career path than to organizational loyalty; a tendency which results in increased rates of voluntary turnover (Cappelli, 2001). Within the HRM literature, *retention management* has become a popular concept to examine the portfolio of HR practices put into place by organizations in order to reduce voluntary turnover rates (e.g. Cappelli, 2001; Mitchell *et al.*, 2001; Steel *et al.*, 2002). Another concept that has gained interest as a construct relevant for understanding and managing contemporary employment relationships is the *psychological contract*, which refers to employees' subjective interpretations and evaluations of their deal with the organization (Rousseau, 1996; 2001; Turnley & Feldman, 1998)*.* Researchers in this field argue that in order for retention management to be effective, the creation of an optimal portfolio of HR practices is not sufficient and that it is important to manage employees' expectations relating to these practices. Only in this way HR managers can be confident to create a deal that is mutually understood by both the organization and its employees (Rousseau, 1996). While retention management addresses the *type* of organizational inducements and HR strategies that are effective in reducing voluntary employee turnover, the psychological contract focuses on employees' subjective *interpretations* and *evaluations* of inducements and how these affect their intentions to stay. This implies that retention practices might only turn out successful if they are in line with what employees value and what they take into account when deciding to stay with or leave the organization. Since these subjective interpretations of retention factors by employees will impact the effectiveness of retention policies set out by the organization, bringing both themes

together could advance our understandings of the factors affecting employee retention. Therefore it is the central objective of the research reported in this article to integrate the HRM perspective on retention management with employees' perceptions of retention factors and to assess the relationship with their intentions to stay. Departing from retention management literature and an empirical survey among 70 HR managers about their views on the most important retention factors, we investigate employees' perceptions relating to those retention factors that were mentioned most frequently by the HR managers. We measure the importance employees attach to these retention factors and we subsequently investigate the impact of the extent to which employees believe their organization fulfills its promises about these factors on their intentions to quit the organization and on their job search behaviors. This is done through a large-scale survey among 5286 employees from organizations representing different industries.

HR FACTORS AFFECTING EMPLOYEE RETENTION

In view of the large costs associated with employee turnover, even in a global economic downturn characterized by downsizing and layoffs, HR managers still need to work out HR practices that enable them to retain their talented employees (Horwitz *et al.*, 2003; Steel *et al.*, 2002). These practices are often bundled under the term "retention management". Retention management is defined as "the ability to hold onto those employees you want to keep, for longer than your competitors" (Johnson, 2000). In the literature numerous factors are put forward as important in affecting employee retention, varying from purely financial inducements to so-called "new-age" benefits. These inducements can be grouped into five major categories of retention factors, namely (1) financial rewards, (2) career development opportunities, (3) job content, (4) social atmosphere, and (5) work-life balance (e.g. Horwich *et al.*, 2003; Roehling *et al.*, 2000; Ulrich, 1998).

First, *financial rewards*, or the provision of an attractive remuneration package, are one of the most widely discussed retention factors, since they not only fulfill financial and material needs. They also have a social meaning, with the salary level providing an indication of the employee's relative position of power and status within the organization. However, research shows that there is much interindividual variability in the importance of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999). For instance, a study conducted by the "Institute for Employment Studies" (Bevan, 1997) reveals that only ten percent of people who had left their employer gave dissatisfaction with pay as the main reason

for leaving. Moreover, due to the trend towards benchmarking, it is becoming increasingly difficult for companies to set themselves apart from their competitors by means of remuneration, which reduces the impact of financial rewards on employee retention (Cappelli, 2001). However, despite the fact that many studies show financial rewards to be a poor motivating factor, it remains a tactic used by many organizations to commit their employees to the organization by means of remuneration packages (Cappelli, 2001; Mitchell *et al.*, 2001; Woodruffe, 1999). For instance, in a recent study Horwitz *et al.* (2003) found that the most popular retention strategies reported by HR managers of knowledge firms still related to compensation.

Second, *opportunities for career development* are considered as one of the most important factors affecting employee retention. It is suggested that a company that wants to strengthen its bond with its employees must invest in the development of these employees (Hall & Moss, 1998; Hsu, Jiang, Klein & Tang, 2003; Steel *et al.*, 2002; Woodruffe, 1999). This does not, or not only, involve the creation of opportunities for promotion within the company but also opportunities for training and skill development that allow employees to enhance their employability on the internal and/or external labor market (Butler & Waldrop, 2001). Other factors relating to career development are the provision of mentoring or coaching to employees, the organization of career management workshops and the set up of competency management programs (Roehling *et al.*, 2000). For instance, in a recent study Allen, Shore & Griffeth (2003) found that employees' perceptions of growth opportunities offered by their employer reduced turnover intentions. Steel *et al.* (2002) also report empirical data showing that lack of training and promotional opportunities were the most frequently cited reason for high-performers to leave the company.

The third category of retention factors relates to employees' *job content*, more specifically the provision of challenging and meaningful work. It builds on the assumption that people do not just work for the money but also to create purpose and satisfaction in their life (Mitchell *et al.*, 2001; Pfeffer, 1998). According to Woodruffe (1999) employees, in addition to a strong need to deliver excellent results, also want to take on difficult challenges that are relevant for the organization. However, when their work mainly consists of the routine-based performance of tasks, the likelihood of demotivation and turnover is relatively high. By thinking carefully about which tasks to include in which jobs, companies can affect their retention rates (Steel *et al.*, 2002). Buttler and Waldrop (2001) have called this "jobsculpting", or the art of matching people to jobs that allow their "deeply embedded life interests". There is increasing evidence that job content is an important dimension affecting

employee outcomes such as commitment, performance and organizational citizenship behavior (Horwitz *et al.*, 2003; Steel *et al.*, 2002). Horwitz *et al.* (2003) found that initiatives aimed at enhancing the intrinsic qualities of the job were the second most popular type of retention practices reported by HR managers of knowledge firms.

The ***social atmosphere,*** i.e. the work environment and the social ties within this environment, is the fourth retention factor considered by many researchers. Cappelli (2001) states that loyalty to the organization is a thing of the past, but that loyalty to one's colleagues acts as an effective means of retention. When an employee decides to leave the organization, this also means the loss of a social network. Some research suggests that social contacts between colleagues and departments are an important factor for retaining talent. Organizations can contribute to the creation of a positive social atmosphere by stimulating interaction and mutual cooperation among colleagues and through open and honest communication between management and employees (Roehling *et al.*, 2000).

Finally, facilitating a good ***work-life balance*** is the fifth retention factor frequently cited in the literature (Anderson, Coffey & Byerly, 2002). The conflict between work and career on the one hand and private life on the other is currently assuming large proportions in our society. There is an increasing demand for more flexible forms of work, which would positively affect the reduction of the work-family conflict and employee satisfaction in general (Anderson *et al.*, 2002; Kossek & Ozeki, 1998). HR policies addressing work-life balance are assumed to be important because the current generation of employees attaches much importance to quality of life, as a result of the ever increasing work pressure (Cappelli, 2001; Mitchell *et al.*, 2001). Research suggests that policies aimed at improving the work-life balance are successful if they are implemented in a supportive context that truly allows employees to make meaningful and useful choices (Anderson *et al.*, 2002: Kossek & Ozeki, 1998).

This review of factors affecting employee retention suggests that HR managers should take into account these factors when working our retention policies. However, most existing studies on retention management have not addressed all five types of retention factors, which makes it impossible to assess their relative embeddedness in the retention practices put in place by HR managers. Therefore in the first part of our study we examine the relative attention HR managers pay to each of these factors in working out their retention policies.

However, in order to improve our understandings of the effectiveness of these retention factors, it is important to relate them to employees' views on their importance and

actual delivery by their employer. The psychological contract is one relevant construct to investigate the employee perspective on retention management.

IMPACT OF THE PSYCHOLOGICAL CONTRACT ON EMPLOYEE RETENTION

Many researchers argue that the psychological contract plays an important role in helping to define and understand the contemporary employment relationship (Rousseau, 2001; Shore & Coyle-Shapiro, 2003; Turnley & Feldman, 1998). Psychological contracts consist of individuals' beliefs regarding the terms and conditions of the exchange agreement between themselves and their organizations (Rousseau, 1996). They emerge when individuals believe that their organization has promised to provide them with certain inducements in return for the contributions they make to the organization (Turnley & Feldman, 2000). The growing body of literature on the psychological contract reflects accumulating evidence for its influence on diverse work-related outcomes. These studies show that employees evaluate the inducements they receive from their organization in view of previously made promises and that this evaluation leads to a feeling of psychological contract fulfillment or breach (Turnley & Feldman, 1998). In turn, a feeling of contract breach has a negative impact on employees' willingness to contribute to the organization and on their intentions to stay with the organization (e.g. Coyle-Shapiro, 2002; Robinson, 1996; Robinson, Kraatz & Rousseau; Turnley & Feldman, 1998; 2000). Other studies have found a positive correlation with actual turnover (e.g. Guzzo, Noonan & Elron, 1994; Robinson, 1996). Together these results suggest that the psychological contract is a construct of both scientific and practical importance and that it is especially relevant for HR managers concerned with the retention of their employees.

Existing research indicates that employees are rather pessimistic about the extent to which their organization lives up to its promises. For example, Turnley & Feldman (1998) found that approximately twenty-five percent of their sample of employees felt that they had received less (or much less) than they had been promised. This was most strongly the case for promises relating to job security, amount of input into important decisions, opportunities for advancement, health care benefits, and responsibility and power. Robinson *et al*. (1994) found that fifty-five percent of their sample reported contract violations by their employer two years after organizational entry. Content analysis showed that these violations most frequently concerned training and development, compensation, and promotion.

Together, this empirical work demonstrates that psychological contract violation is relatively common and that this could explain the difficulties organizations are currently experiencing in retaining their employees.

Since the psychological contract encompasses employees' *subjective* interpretations and evaluations of their employment deal, the retention factors discussed in the practitioner and scientific literature will only turn out to be effective for employee retention if they are in line with employees' subjective views and expectations. Within the psychological contract literature, the retention factors we have discussed in the previous paragraph are used by several researchers to measure the content of the psychological contract (e.g. Robinson, 1996; Robinson *et al.*, 1994; Turnley & Feldman, 2000). However, as to date researchers have not explicitly paid attention to the relative importance of each of these content dimensions to employees and to their differential impact on employees' willingness to stay with the organization. Instead, global measures of psychological contract evaluation have been constructed in which employees' evaluations of employer promises relating to these different types inducements are aggregated (e.g. Coyle-Shapiro, 2002; Guzzo *et al.*, 1994; Robinson, 1996; Turnley & Feldman, 2000). Turnley & Feldman (1998) did measure overall psychological contract violation as well as violation of 16 specific elements of the psychological contract (e.g. salary, job challenge). However, they did not construct scales, which limits the reliability of their findings due to single-item measurement. Moreover, the differential impact of these elements on employee retention was not explicitly investigated. Therefore in the second part of this study we assess the relative importance of the five retention factors (financial rewards, job content, career development, social atmosphere and work-life balance) in employees' psychological contract as well as their impact on employees' intentions to stay.

PROPOSITIONS

In this study we address both HR managers' and employees' views on retention management, thereby integrating the literature on retention management and the psychological contract. First, based on retention management literature we expect that the retention factors considered as important by HR managers as well as the retention practices they put in place can be grouped along the five retention factors we have discussed (P1). Secondly, we expect that these five types of retention factors will also be an important part of employees' psychological contracts (P2). On the one hand, we propose that employees will value these factors as being important types of employer inducements (P2a). On the other hand, we propose that employees' evaluations of the extent to which their organization effectively delivers these inducements will affect their loyalty, their intentions to stay with the organization and their job search behaviors (P2b).

RESEARCH METHODOLOGY

In line with the structure of our literature review, we conducted a two-step research. In the first research phase we conducted a telephone survey among a sample of HR managers representing the 100 largest public and private companies in Belgium. The purpose of this research phase was to ascertain whether the retention factors considered in the literature corresponded with those factors viewed as important and actually put into practice by HR managers. More specifically, we examined HR managers' views on retention factors as well as the specific policies and practices they put into place in order to promote the retention of their employees. The second research phase consisted of a large-scale written survey among employees representing organizations from different industries. Employees were asked to indicate the importance they attached to the five types of inducements considered as major retention factors and to evaluate the extent to which their employer fulfilled the promises that were made about these inducements. This evaluation was related to employees' loyalty, their intentions to leave the company and their job search behaviors.

First Research Phase

Procedures and sample. The sample of the first part of this study consisted of the 100 largest private and public organizations in Belgium, which all employ more than 1000 employees. The HR manager of these organizations was contacted and invited to participate in a telephone interview about retention management. Seventy of the 100 HR managers contacted, i.e. 70%, agreed to cooperate. During this interview, data were obtained on HR managers' views on employee retention using three open-ended questions.

Measures and analyses. First, we captured HR managers' views on retention factors, making a distinction between factors causing employees to stay with the organization versus factors causing employees to leave. Both were then compared with the retention practices they reported to set up within the organization. Respondents were invited, based on their experience within the company, to name (1) the three most important reasons why employees stay with their company (reasons for retention), (2) the three most important reasons why employees leave (reasons for voluntary turnover), and (3) the actual practices used in order to enhance employee retention (more than three answers could be given to this question). The answers to these questions were grouped into different categories according to their content. Next, for each of the three questions a ranking was made, with the highest rank always based on the most frequently cited answer by the respondents.

Second Research Phase

Procedures and sample. The second part of the study consisted of a written survey that was filled out by 5286 respondents, all employees in private or public firms This survey was published on the website of a Flemish magazine specialized in recruitment communication and job advertising. Initially, 6044 respondents filled out the questionnaire but those respondents who were not an employee in a private or public firm (e.g. those who indicated to be self-employed or unemployed) as well as company owners and general managers were excluded from the analyses, leaving us with 5286 usable questionnaires. Of those respondents, 65.4% were male, and the majority was between 26 and 35 years (44.1%) or between 35 and 45 years old (23.6%). Ninety-seven percent of the respondents had a graduate or master degree. Almost all of them worked full time (93%) and 67.5% was working for five years of less with their current employer. In Table 1, the repartition of respondents over different industries is represented.

Measures. The *psychological contract* was measured using the scale reported in De Vos *et al.* (2003). First, respondents were asked to indicate the extent to which they felt it was important for the organization to make promises about the provision of 20 employer inducements. Answers were given on 5-point Likert scales ranging from (1) "not at all important" to (5) "to a very great extent important". Second, respondents evaluated the extent to which their employer was currently fulfilling the promises that were made about these inducements using 5-point Likert scales ranging from (1) "promises not at all fulfilled" to (5) "promises completely fulfilled". They could also indicate that a certain inducement had never been promised. This answer was considered as non-response in subsequent analyses.

The 20 items listed refer to five content areas of the psychological contract which correspond to the five retention factors discussed in the theoretical part of this paper: financial rewards (e.g. "an attractive pay and benefits package"), career development (e.g. "opportunities for promotion"), job content (e.g. "a job with responsibilities"), social atmosphere (e.g. "good mutual cooperation") and work-life balance (e.g. "respect for your personal situation"). Each dimension was assessed by four items. Previous research shows that these scales have good reliabilities and validities (De Vos, 2002; De Vos & Buelens, 2004; De Vos *et al.*, 2003). In this study, Alpha-reliabilities for the scales assessing importance of promises ranged between .71 (job content) and .87 (social atmosphere). For the scales assessing fulfillment of promises, reliabilities ranged between .83 (work-life balance) and .91 (social atmosphere).

We used three outcome variables: loyalty, intention to leave and job search behaviors. The scale assessing *loyalty* was based on Boroff & Lewin (1997). Three items measured respondents' loyalty towards their employer (e.g. "I generally speak in positive terms about my organization, even if others are criticizing it"). Answers were given on a five-point scale ranging from (1) "completely disagree" to (2) "completely agree". Alpha-reliability for this scale was .81. *Intention to leave* was measured using the Staying or Leaving Index (SLI) developed by Bluedorn (1982). Four items assessed the likelihood of leaving the current employer within a certain time span (e.g. "what is the likelihood that you will still be working with your current employers within two years?").

Answers were given on a seven-point scale ranging from (1) "very likely" to (7) "very unlikely", a higher score being indicative of a stronger intention to leave (Alpha-reliability was .91). *Job search behaviors* were measured using 11 items that assess concrete actions the employee has undertaken to search for a new job (e.g. "have you participated in a job interview over the past twelve months?"). This scale was based on the Job Search Behavior Index (JSBI) developed by Kopelman, Rovenpor en Millsap (1992). All items were answered by (1) "yes" or (2) "no". The answers to the 11 questions were summed for further analyses, a higher score on the total scale being indicative of more active job search behavior. Alpha-reliability was .84.

Analyses. After reliability checks and the construction of scales, mean scores and intercorrelations for all variables in the study were calculated. Hierarchical regression analyses were done to examine the relationship between psychological contract evaluations and intention to leave, job search behaviors and loyalty.

RESULTS

First Research Phase: HR Managers' Views on Retention Factors

The results from the first research phase are summarized in Table 2. This table reports the proportion of respondents citing each of the items listed.

Insert Table 2 About Here

Reasons for voluntary turnover versus retention. As can be seen from Table 2, the two most frequently cited reasons for voluntary turnover are remuneration (64%), and a lack of career opportunities (47%). Concerning the most important reasons to stay with the company, work atmosphere and a good relationship with colleagues (51%), job content (43%), remuneration (41%), and career opportunities (41%) were cited most frequently. As shown in Table 2, the reasons for leaving versus staying do not fully overlap one another. For instance, while social atmosphere is mentioned as the most important reason why employees stay, it is not considered as a major reason for leaving the organization. Inversely, while work-life balance appears in the left column (reason for leaving), it does not occur among the ten most frequently cited reasons for staying.

Retention practices used. Seventy-six percent of the HR managers in our sample reported that they made active efforts to retain their employees. As can be seen from Table 2, most retention practices cited focus on career management: training and development (59%), creating opportunities for career progress (48%), high-potential management (41%), and facilitating internal mobility (38%). Initiatives addressing compensation and benefits were mentioned in second order.

Second Research Phase: Employee Viewpoint on Retention Factors

Table 3 contains the intercorrelations between all variables included in the study. Given the large sample size, correlations of .03 or more are already statistically significant at the p = .05 level. Therefore, we consider only those correlations exceeding .10 as being of practical significance. Based on this criterion, the demographic characteristics gender, age and hierarchical level within the organization were also included in the regression analyses as control variables since they significantly correlated with our research variables. The industry to which respondents belonged never correlated strongly with our independent or dependent variables, so it was decided not to include this factor as a control variable in further analyses.

Insert Table 3 About Here

Psychological contract: Importance and evaluation of employer inducements. In Table 4, we present respondents' mean scores on each of the five dimensions of the psychological contract. As can be seen from this table, the employees in our sample attach most importance to employer inducements relating to the social atmosphere (4.37), followed by career development (4.17), and job content (4.11). They attach relatively less importance to financial rewards (3.71) and work-life balance (3.88), although these scores are still quite high in an absolute sense. With respect to the fulfillment of employer promises relating to each of these inducements, employees are most positive about the fulfillment of promises relating to their job content (3.14) and the social atmosphere (3.12). Promises about financial rewards are perceived to be least fulfilled (2.28). Comparing the importance employees attach to the five types of inducements with their evaluation of promise fulfillment, the results are positive for those two inducements that are most important for employees, i.e. job content (3.14) and social atmosphere (3.12). These two types of inducements are considered as most important by the employees and they also obtain the highest scores in terms of their fulfillment.

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Even though promises about financial rewards are not considered to be very important, they obtain the most negative evaluation (2.28). But the largest gap exists for career development opportunities. While this is a very important inducement to the respondents, they make up a negative evaluation of the fulfillment of the promises their employer has made to them with respect to their opportunities for career development (2.67).

Insert Table 4 About Here

There are several differences between respondents as a function of their socio-demographic characteristics. With respect to gender differences, independent-samples *t*-tests show that female respondents attach significantly more importance to job content (4.21 vs. 4.13), social atmosphere (4.50 vs. 4.26) and work-life balance (3.93 vs. 3.83) than their male counterparts do. Female respondents generally have a more negative evaluation of promise fulfillment, the differences with their male counterparts being significant for career development (2.56 vs. 2.76), job content (3.04 vs. 3.21), financial rewards (2.16 vs. 2.38), and work-life balance (2.97 vs. 3.13). All differences mentioned are significant at the $p > .001$ level. Hierarchical level is also significantly related to psychological contract perceptions and evaluations. Employees at higher levels attach significantly more importance to career development and job content, but they attach significantly less importance to social atmosphere and work-life balance. No significant differences are found regarding the importance of financial rewards. However, with regard to the evaluation of promises relating to this dimension we see that higher-level employees are significantly more positive than lower-level employees are. Finally, age is only significantly related to the fulfillment of promises about social atmosphere, older employees making up a more negative evaluation of this type of promises.

Impact of the evaluation of employer inducements on employee retention. In order to obtain more insight into the relative importance of each type of inducements for employee retention, we related employees' evaluations of promise fulfillment to their loyalty, intentions to leave and job search behaviors using hierarchical regression analyses. The results of these analyses are presented in Table 5. As can be seen from this table, the inclusion of perceived fulfillment of promises regarding the five types of inducements explains the outcome variables to a significant extent.

However, not all five inducements are equally important in explaining the outcome variables and their relative importance differs depending on the outcome variable. The fulfillment of promises relating to career development opportunities turns out to be the most predictive of both intention to leave and job search behavior. Loyalty is most strongly explained by the fulfillment of promises relating to social atmosphere and career development, closely followed by job content. The impact of promises relating to work-life balance is not significant. Overall, career development appears to be dimension of the psychological contract which has the most consistent and strongest impact on all three outcome variables included in our study, while work-life balance has no significant impact.

Insert Table 5 About Here

DISCUSSION

This study addressed HR managers' and employees' views on factors affecting employee retention. This was done by relating retention management literature to the theoretical framework of the psychological contract, which offers a theoretically sound basis for explaining the impact of retention practices on employee retention. The empirical study consisted of two parts, addressing the views of HR managers and employees respectively. In the second part of the study we related employees' evaluations of retention practices to their intentions to leave because it is crucial for HR managers to recognize the most influential factors that may retain valued employees.

Comparison of HR managers' and employees' views on retention factors

Both practitioners and researchers in the field of retention management agree that creating a retention policy that works is not an easy task. One of the first and necessary steps in working out a retention policy for HR is to assess the retention factors which are important to their workforce (Steel *et al.*, 2002). The collection of targeted data on reasons for quitting and staying, segmented by employee groups (e.g. male versus female, blue collar versus white collar) is an important means for obtaining this information. The data obtained within this study can be a first step for HR managers to start a survey on retention management targeted to their own workforce.

We proposed that the five retention factors discussed in the literature would also be those most frequently cited by the HR managers in our sample (Proposition 1). This idea is supported when we consider the data from the three open questions together. However, when looking at them separately, it appears that the HR managers in our sample do not attach equal importance to all five dimensions. For example, while social atmosphere is mentioned as a major reason for staying, it is not considered to be an important reason for voluntary turnover. Inversely, inducements relating to work-life balance are cited as a reason for voluntary turnover but not as a reason for staying. Looking at the list of most frequently cited retention practices, initiatives regarding social atmosphere, job content and work-life balance are not present here: most initiatives focus on career opportunities and financial inducements. In general it appears that retention practices are more focused on the factors which are believed to cause employee turnover rather than on those believed to affect employee retention. This focus on career opportunities and financial inducements is in line with retention management literature, which generally lists the latter two as the most frequently used retention practices (e.g. Allen *et al.*, 2003; Horwitz *et al.*, 2003; Steel *et al.*, 2002; Woodruffe, 1999).

The results of the employee survey support the idea that from the viewpoint of employees, career development, job content, financial rewards, social atmosphere and work-life balance are considered as five important retention factors. When asked for the importance they attach to each of these inducements, employees give high scores on each of the five dimensions, the range between the least important (financial rewards: 3.71) and the most important factor (social atmosphere: 4.11) being small. This provides support for Proposition 2A. Comparing this finding with the results of the survey among HR managers, some differences appear which might explain why organizational efforts to improve employee retention do not always work out as expected. For instance, although the HR managers in our sample agree on the importance of social atmosphere as a main reason why employees stay with the organization, they do not work out retention practices that are focused on this factor.

Impact of retention factors on employee loyalty, intention to leave, and job search behavior

What's most important in evaluating the effectiveness of retention practices, is to examine the factors that contribute most strongly to employee loyalty, intention to leave and job search behavior. In the second phase of our study, we examined this through hierarchical regression analyses. Our results indicate that not all five types of retention practices are equally important in affecting employee retention, in contrast with what we proposed in

Proposition 2A. The evaluation of promises about career opportunities appear to be most predictive of employees' intentions to leave and of their job search behaviors and they are also strongly predictive of employee loyalty. This finding is in line with HR managers' views that career development is an important factor affecting both voluntary employee turnover and retention and it supports their efforts to work out retention policies focusing on career development.

However, the rest of our results are not supportive of HR managers' views. First, the HR managers in our sample consider financial rewards as the most important factor causing voluntary employee turnover and they also spend much effort in developing retention policies relating to financial rewards. These efforts might turn out to be ineffective since the evaluation of promises about financial rewards has less impact on employee loyalty, intention to leave and job search behavior than the evaluation of promises about career development, job content and social atmosphere have. Second, HR managers do agree that job content and social atmosphere are two important factors affecting employees' intentions to stay but they do not indicate to incorporate these in their retention practices. This contrasts with our finding that employees' evaluations of social atmosphere and job content are significant predictors of their loyalty, intentions to leave and job search behaviors. Finally, the non-significant impact of the evaluation of work-life balance on outcomes supports HR managers' view that this is not the most important dimension of retention management.

Contributions, Limitations, and Suggestions for Further Research

One of the contributions of this study concerns the integration of the literature on retention management with the theoretically sound framework of the psychological contract. Over the past years, studies conducted within both research traditions have provided insight into the factors impacting important employee outcomes such as commitment, loyalty, intentions to leave and actual turnover. Most retention literature focuses on describing the major retention practices and processes, or on investigating the impact of some specific HR practices on employee retention or turnover (e.g. Allen *et al.*, 2003; Hsu *et al.*, 2003; Roehling *et al.*, 2000; Steel *et al.*, 2002). The psychological contract provides a broader framework for interpreting the diversity of findings coming out of this retention literature and allows for a direct assessment of the joint and relative impact of different content dimensions on employee retention. The results also contribute to the psychological contract literature.

They show that it is important to take into account multiple content dimensions of the psychological contract. It adds to earlier findings about the impact of global or aggregated psychological contract evaluations (e.g. Robinson, 1996; Robinson *et al.*, 1994; Turnley & Feldman, 1998; 2000) and provides insight into those content dimensions that are most predictive of employee outcomes.

This study provides insights into two important parties to the employment relationship: (1) the HR manager, who can be considered to be an important agent representing the employer perspective, and (2) the employee. The two surveys we have conducted provide a better insight into both parties' views on what they believe to be important in terms of employee retention and how this relates to outcomes (retention practices set up by the HR manager and loyalty, intentions to leave and job search behaviors by employees). A comparison of the results from both studies also provides information about the possible (in)effectiveness of the retention practices HR managers set up. The samples we used in this study, which both encompass a broad range of the population of HR managers and employees, allow us to draw some general conclusions which overcome the problems of external validity associated with single-organization samples or samples involving only one occupational group. Although our sample of HR managers was restricted to large organizations, they do represent a variety of both public and private sector organizations. The large sample of employees has diversity in terms of gender, hierarchical level, occupational type, age and sector, which increases its generalizability and allows for some specific group observations. The fact that respondents from the employee sample participated independent of their employer can be considered as an advantage. We can assume that our respondents will probably have given more candid answers to the questions about employer contract fulfillment and about their loyalty, intentions to leave and job search behaviors than if their employer would have been involved in the study.

One important limitation the reader should take into account when interpreting the results, however, is that both samples were not matched and thus our results provide no information on the correspondence or divergence between both parties' views at the level of a specific organization. Further research is needed in which matched samples are used, making it possible to directly assess the impact of retention practices, and of their perception and evaluation by both parties, on employee outcome variables. Moreover, this type of design would also allow for assessing the impact on organizational outcome variables (e.g. actual turnover rates).

This research relied on two cross-sectional surveys. In order to validate the findings from the rather explorative survey among HR managers, future research should investigate HR managers' views and actions relating to retention management using a more elaborate questionnaire allowing for more detailed statistical analysis and hypothesis testing. With regard to the employee sample, the fact that both independent and dependent variables have been assessed using one single source implies that conclusions about causal relationships should be drawn cautiously and that common method variance might have inflated some of the relationships found.

Managerial Implications

Why an employee stays with the organization is a strategic issue for HR managers as well as a major concern for the individual. Having insight into those factors most important in determining employee retention is important for HR managers in order to work out retention policies and practices that are effective both at the individual and the organizational level. Taken together, the results of our employee survey indicate that career development is the most important retention factor since offering good opportunities for career development not only prevents employees from leaving the company, but it also contributes in a positive way to their loyalty to the firm. If we assume that the aim of retention policies is not only to retain employees but also to retain employees who are loyal and committed, then HR managers must also put more efforts in retention policies relating to the social atmosphere and to job content. Both factors are important predictors of employee loyalty and they also significantly prevent employees from leaving their organization. On the other hand, the results relating to work-life balance and financial rewards, the two factors that can be considered more as extrinsic rather than intrinsic rewards, suggest that retention policies focusing only on these factors might be little effective. Employees' evaluations of organizational inducements about work-life balance consistently have no significant impact on their loyalty, intentions to stay or job search behaviors and thus should not be considered as important retention factors. The results relating to financial rewards are somewhat less consistent. Overall, their value in explaining the three outcome variables is small compared to the more intrinsic inducements. This findings urges HR managers to reevaluate the efforts they are currently making towards the composition of attractive remuneration and benefits packages.

Apparently, financial rewards is still the most complex retention factor to understand, and consequently to manage, as Ulrich (2001) already argued. Employees do not attach much importance to it, but they make up a rather negative evaluation.

The main message we derive from this study is that HR managers should better take into account what their employees value and how they evaluate their organization's efforts towards retention management if they are to contribute in a cost-efficient way to the strategic objectives of the organization. The psychological contract hereby provides a practically useful framework to manage employees' expectations and to engage in an open process of communication and negotiation about the employment deal (Herriot & Pemberton, 1996).

Of course, there are major differences between industries, between organizations and between subgroups of organizations with respect to what employees want and which factors contribute most strongly to their intentions to leave or to be loyal to the firm. Therefore, our study could be used by HR managers as a framework based on which to examine the retention factors most valued and most strongly affecting employee retention and loyalty in their own company, and thereby taking into account differences between subgroups. As Rousseau (2001) has argued, the employment deal is becoming more and more individualistic rather than based on collective agreements. This is reflected in the subjective nature of the psychological contract of employees. If HR managers are to be effective in their retention management this means that they should take into account this subjectivity instead of departing from generally agreed-upon views on what's important to employees in general. This, in turn, should contribute to their role in the company as a strategic partner given that the attraction and retention of talented employees will stay an important factor of competitive advantage for organizations, both in times of economic downturn and upheaval.

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Table 1

Repartition of Respondents over Industries (Second Research Phase)

Sector	Frequency	Percent
Telecommunication	330	6.24
Distribution & Logistics	222	4.20
Horeca, catering	50	0.95
Transport and communication	127	2.40
Business services	782	14.79
Banking, finance, insurance	405	7.66
Health care	368	6.96
Public administration	428	8.10
Education	222	4.20
Energy and water	45	0.85
Chemical industry	330	6.24
Metal manufacturing; mechanical and electrical engineering	355	6.72
Food, drink and tobacco manufacturing	141	2.67
IT	492	9.31
Textiles, clothing	79	1.49
Wood, paper and graphical industry	78	1.48
Building and civil engineering	81	1.53
Social and cultural services	121	2.29
Other	561	10.61
Missing	69	1.30
TOTAL	5286	100

TABLE 2

Ranking of Most Frequently Cited Reasons for Leaving, Reasons for Staying, and Retention Practices by HR managers (n = 70) (First Research Phase)*.

Reasons for leaving	Reasons for staying	Retention practices
1. Remuneration (64%)	1. Work atmosphere / colleagues (51%)	1. Training (59%)
2. Career opportunities (47%)	2. Job content (43%)	2. Career management (48%)
3. 3. Work pressure / stress (19%)	3. Remuneration (41%)	3. High potential management (41%)
4. Job content (19%)	4. Career opportunities (41%)	4. Internal mobility (38%)
5. Mobility (19%)	5. Job security (22%)	5. Remuneration (27%)
6. Headhunting (17%)	6. Training (17%)	6. Benchmarking promotions (24%)
7. The management (16%)	7. Company image (16%)	7. Bonus system (18%)
8. Work-life balance (14%)	8. Company culture (14%)	8. Performance management (18%)
9. Labor shortage (11%)	9. The management (8%)	9. Benefits (14%)
10. Opportunities elsewhere (9%)	10. International opportunities (9%)	10. Communication (11%)

* These are the ten most frequently cited reasons or practices based on the number of responses. Between brackets the proportion of respondents citing this item in their "top 3" is given.

TABLE 3

Correlations and Reliabilities for Scales Included in the Study (Second Research Phase)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Gender																	
2. Age	-0.20																
3. Level	-0.28	0.24															
4. Sector	0.02	-0.02	-0.02														
5. Importance career development	0.02	-0.13	0.11	-0.03	(.79)												
6. Importance job content	0.07	0.06	0.17	0.01	0.54	(.71)											
7. Importance social atmosphere	0.20	-0.05	-0.16	0.01	0.19	0.30	(.87)										
8. Importance financial rewards	0.00	0.03	0.02	-0.03	0.38	0.31	0.18	(.80)									
9. Importance work-life balance	0.07	-0.02	-0.11	0.02	0.13	0.23	0.34	0.40	(.76)								
10. Fulfillment career development	-0.10	-0.01	0.25	-0.03	0.03	0.06	-0.04	-0.02	-0.02	(.89)							
11. Fulfillment job content	-0.10	0.05	0.27	0.00	0.00	0.14	-0.03	-0.01	-0.02	0.71	(.85)						
12. Fulfillment social atmosphere	0.01	-0.12	-0.02	-0.01	0.00	0.00	0.13	-0.02	0.00	0.44	0.47	(.91)					
13. Fulfillment financial rewards	-0.11	-0.01	0.17	-0.03	-0.01	0.00	-0.01	0.04	0.01	0.62	0.52	0.37	(.87)				
14. Fulfillment work-life balance	-0.09	-0.05	0.07	0.00	0.00	0.00	0.01	-0.03	0.12	0.45	0.45	0.44	0.50	(.83)			
15. Intention to leave	0.06	-0.21	-0.06	0.06	0.08	-0.01	0.03	0.00	-0.01	-0.34	-0.30	-0.22	-0.19	-0.19	(.91)		
16. Job search behavior	0.06	-0.22	-0.05	0.01	0.14	0.02	0.01	0.03	0.00	-0.24	-0.21	-0.15	-0.14	-0.12	0.49	(.84)	
17. Loyalty	-0.05	0.09	0.18	-0.00	0.08	0.13	0.03	-0.00	-0.08	0.39	0.38	0.32	0.29	0.25	-0.39	-0.28	(.81)

Alpha reliabilities are represented between brackets

Correlations ≥ .03, p < .05, correlations ≥ .04, p < .01, correlations ≥ 05, p < .001

Gender: Masculin = 1, Feminin = 2

Level: Administrative = 1, Professional = 2, Middle management = 3, Senior management = 4

TABLE 4

Mean Scores for Importance and Evaluation of Employer Inducements (second research phase)

Psychological Contract Dimensions	Importance	Fulfillment
Career Development Opportunities	4.11	2.67
Job Content	4.17	3.14
Social Atmosphere	4.37	3.12
Financial Rewards	3.71	2.28
Work-Life Balance	3.88	3.06

TABLE 5

Hierarchical Regressions Predicting Loyalty, Intention to Leave and Job Search Behaviors (Second Research Phase)

Outcomes:	Loyalty		Intention to Leave		Job Search Behavior	
Predictors:	1	2	1	2	1	2
Step 1:						
Gender	-.001	.024	.022*	.003	.019	-.006
Age	.052**	.094**	-.209**	-.245**	-.220**	-.244**
Level	.165**	.079**	-.007	.085**	-.006	.073**
Step 2:						
Fulfillment Career Development		.167**		-.301**		-.195**
Fulfillment Job Content		.122**		-.076**		-.065**
Fulfillment Social Atmosphere		.175**		-.092**		-.066**
Fulfillment Financial Rewards		.050*		-.045*		.005
Fulfillment Work-life Balance		.020		-.020		.005
F	58.233**	162.298**	81.227**	148.288**	86.610**	85.446**
Change in *F*		217.127**		179.740**		80.567**
Adj. *R*-Sq.	.03	.21	.05	.19	.05	.12
R-Sq Change		.17		.15		.07