

**Employee well-being, turnover intention and perceived
employability: A psychological contract approach**

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COMMENTS

The reader is reminded of the following:

- The editorial style as well as the references in this dissertation follow the format prescribed by the Publication Manual (6th edition) of the American Psychological Association (APA). This practice is in line with the policy of the Programme in Human Resource Management of the North-West University (Potchefstroom) to use APA style in all scientific documents as from January 1999.
- The dissertation is submitted in the form of two research articles. The editorial style specified by the European Journal of Work and Organizational Psychology (which agrees with the APA style) is used.

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ABSTRACT

Title:

Employee well-being, turnover intention and perceived employability: A psychological contract approach.

Key terms:

Employee well-being, intention to leave, perceived employability, psychological contract state, mediation, moderation

The contemporary working environment is characterised by constant change and increased cognitive and emotional demands on employees. At the same time, long-term employment is no longer guaranteed and often employees are not loyal to one organisation throughout their careers. These changes alter and threaten the viability of the employment relationship. Employees still provide a competitive edge for organisations and their expectations should be managed in such a way that the current organisation remains the employee's employer of choice. If employers fail to achieve this, employees will be less satisfied and voluntary turnover will result, with detrimental effects on the organisation, both directly and indirectly. In order to ensure the retention of valuable employees, organisations need to identify the predictors of employees' intention to leave and the nature of the relationships between these factors.

Previous studies focused on evaluating the content of the psychological contract and its relation to employee well-being and intention to leave. However, the focus should be less on what employees expect from employers and more on whether these expectations are being fulfilled, now and in future, and whether employees perceive it as fair. Although numerous studies have been conducted on the outcomes of the psychological contract, the evaluation of the state of the psychological contract and its predictive ability remains largely unexplored. More research is also needed to identify mediators in the psychological contract domain.

Employability emerged as a coping resource for employees in times of uncertainty. Unfortunately, the more employable employees are, the more likely they will leave the organisation. Due to the assumed positive relationship between employability and performance, organisations should aim to enhance the employability of their employees but at the same time they should seek ways to retain these employees. Empirical research on the outcomes of perceived employability is limited and more research is also needed to identify moderators. The objectives of

the study were 1) to determine whether the state of the psychological contract (as perceived by the employee) mediates the relationship between employees' well-being and their intention to leave the organisation; and 2) to determine whether the state of the psychological contract (as perceived by the employee) moderates the relationship between perceived employability and employees' well-being and their intention to leave the organisation, respectively. Structural equation modelling was used to establish the significance of the relationship between the variables simultaneously. Two structural models were evaluated; one with employee well-being as mediator and one with the state of the psychological contract as moderator.

The results indicated that employee well-being partially mediates the negative relationship between the state of the psychological contract and intention to leave. The state of the psychological contract played a significant role in predicting individual outcomes. The results also indicated that perceived employability had a positive relationship with intention to leave. This is in line with previous international studies. Contrary to what was expected, no significant relationship was found between perceived employability and employee well-being. Furthermore, the state of the psychological contract did not moderate the relationship between perceived employability and employees' well-being and their intention to leave the organisation, respectively. The results highlighted the importance of well-being as a factor in employees' intention to leave the organisation.

Recommendations were made for organisations and further research.

OPSOMMING

Titel:

Werknemerwelstand, voorneme om te bedank en waargenome indiensneembaarheid: 'n Psigologiesekontrakbenadering

Sleuteltermes:

Werknemerwelstand, voorneme om te bedank, waargenome indiensneembaarheid, toestand van psigologiese kontrak, mediasie, moderasie.

Die hedendaagse werksomgewing word gekenmerk deur voortdurende verandering en die bykomende druk - verstandelik sowel as emosioneel – wat dit op werknemers plaas. Terselfdertyd kan werkgewers nie langtermyn indiensneming waarborg nie en werknemers is dikwels nie verbind tot een organisasie gedurende hulle loopbaan nie. Die verhouding tussen die werkgewer en werknemer word deur hierdie veranderinge beïnvloed en gevolglik word die voortbestaan van die verhouding bedreig. Werknemers stel egter steeds maatskappye in staat om kompetend te wees en daarom moet hulle verwagtinge op so 'n wyse bestuur word dat hul huidige organisasie die voorkeur werkgewer bly. Indien maatskappye nalaat om dit te doen, sal werkers minder tevrede wees en gevolglik vrywillig die werksverhouding beëindig, met direkte en indirekte gevolge vir die maatskappy. Gevolglik is dit belangrik om die faktore te identifiseer wat daartoe aanleiding gee dat werkers die diens van die maatskappy wil verlaat asook die aard van die verhoudings tussen hierdie faktore.

Vorige studies het gefokus op die evaluering van die inhoud van die psigologiese kontrak en die verwantskap daarvan met werknemerwelstand en voornemens om die organisasie te verlaat. Die fokus moet egter verskuif van die inhoud van die psigologiese kontrak na die evaluasie van werknemers se persepsie van die vervulling van die kontrak asook hulle persepsie van die regverdigheid van die kontrak. Alhoewel verskeie studies in die verlede gefokus het op die uitkomst van die psigologiese kontrak, het die evaluasie van die stand van die psigologiese kontrak en die vermoë van die stand van die psigologiese kontrak om uitkomst te voorspel, grootliks agterweë gebly. Meer navorsing is ook nodig om mediators te identifiseer in die domein van die psigologiese kontrak.

Indiensneembaarheid het verrys as 'n hulpbron in tye van onsekerheid. Hoe meer indiensneembaar werknemers egter is, hoe meer geneig is hulle om die organisasie te verlaat. As

gevolg van die positiewe verhouding tussen indiensneembaarheid en werksprestasie moet organisasies poog om werkers se indiensneembaarheid te verhoog maar hulle moet terselfdertyd aan maniere dink om dié werkers te behou. Empiriese navorsing oor die uitkomst van indiensneembaarheid is beperk en meer navorsing is ook nodig om moderators te identifiseer. Die doelwitte van hierdie studie was gevolglik om te bepaal of 1) die stand van die psigologiese kontrak (soos waargeneem deur die werknemer) die verhouding bemiddel tussen werknemers se welstand en hulle voorneme om die organisasie te verlaat; en of 2) die stand van die psigologiese kontrak (soos waargeneem deur die werknemer) onderskeidelik die verhouding tussen indiensneembaarheid en werknemers se welstand en hulle voorneme om die organisasie te verlaat modereer. Strukturele-vergelyking-modellering is gebruik om die betekenisvolheid van die verhoudings tussen die veranderlikes gelyktydig te bepaal. Twee strukturele-vergelyking-modelle is gevalueer; een waarin werknemerwelstand as mediator funksioneer en een waarin die stand van die psigologiese kontrak as moderator funksioneer.

Die bevindinge van die studie dui daarop dat werknemerwelstand die negatiewe verhouding tussen die stand van die psigologiese kontrak (soos waargeneem deur die werknemer) en werknemers se voorneme om die organisasie te verlaat, gedeeltelik bemiddel. Die stand van die psigologiese kontrak het 'n betekenisvolle rol vervul in die bepaling van individuele uitkomst. Die resultate van die studie dui ook daarop dat waargenome indiensneembaarheid 'n positiewe verwantskap toon met werknemers se voorneme om die organisasie te verlaat. Hierdie bevinding stem ooreen met die bevindinge van vorige internasionale studies. Die bevinding dat daar geen betekenisvolle verwantskap is tussen waargenome indiensneembaarheid en werknemerwelstand nie, is egter botsend met bestaande inligting. Die stand van die psigologiese kontrak het verder ook nie die verhouding tussen waargenome indiensneembaarheid en werknemers se welstand en hul voorneme om die organisasie te verlaat, gemodereer nie. Die resultate van die studie beklemtoon wel die belangrike rol wat werknemers se welstand speel in werknemers se voorneme om die organisasie te verlaat.

Aanbevelings is gemaak vir organisasies asook vir verdere navorsing.

CHAPTER 1

INTRODUCTION

This dissertation explores the relationship between the state of the psychological contract, perceived employability, employee well-being and intention to leave. The specific focus is to determine whether employee well-being mediates the relationship between the state of the psychological contract (as perceived by the employee) and employees' intention to leave the organisation; and to determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being and negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees.

This chapter presents the problem statement and sets out the general and specific research objectives. The research method is explained and an overview of chapters is provided.

1.1 Problem Statement

It is estimated that over the next two decades, organisations will be increasingly faced with globalisation and tough competition, new technology and demographic changes in the composition of the workforce (Dewe & Kompier, 2010). These transitions give rise to smaller, more flexible and fragmented workplaces, rapid negotiation of change, feminisation of the workforce, increasing management control, emphasis on human resource management, and persisting issues of trust and fairness (Dewe & Kompier, 2010; Morrison & Robinson, 1997). Organisations are being forced to seek new ways of organising work and employment (Guest, Isaksson, & De Witte, 2010), consequently changing the traditional employment relationship and threatening the viability of that relationship (Guest, 2004). Companies can no longer offer long-term, secure employment to employees (Marah & Murray, 2007; Tyagi & Agrawal, 2010); the traditional "job for life" has been replaced with fair treatment and pay, coupled with learning and development opportunities (CIPD, 2010). Employees also perceive and react differently to the employment relationship by often not being engaged with one organisation throughout their working lives (Marah & Murray, 2007) and possibly showing less loyalty towards their employer (Tyagi & Agrawal, 2010). However, employees still enable the business to add value (CIPD, 2010) and they should be managed effectively (Guest & Conway, 2004). This can only be achieved through managing the changing

employment relationship in such a way that the organisation is regarded as a good employer (Guest & Conway, 2004; Tyagi & Agrawal, 2010). Employability has been identified as an important factor that shapes employees' experiences of work (Guest et al., 2010) and effective management of employability forms part of this "new" workplace.

Studies in employability emerged in the 1990s as a tool to deal with job insecurity (Baruch, 2001) since it has the potential to buffer the negative effects of job insecurity (De Cuyper, De Witte, Krausz, Mohr, & Rigotti, 2010). Employability is defined by Van der Heijde and Van der Heijden (2006) as the "continuous fulfilling, acquiring, or creating of work through the optimal use of one's competences" (p. 453). Perceived employability is defined as an employee's perception of the possibilities he/she will find a new and equal job (Berntson & Marklund, 2007; Berntson, Sverke, & Marklund, 2006) with the current employer or another organisation (De Cuyper, Van der Heijden, & De Witte, 2011). This definition is consistent with more general definitions and it adopts a more subjective approach by focusing on the employee's perception (De Cuyper et al., 2011). This perception is assumed to develop from the individual's interpretation of the labour market and/or from the individual's ability to make the transition (Brown, Hesketh, & Williams, 2003; McQuaid & Lindsay, 2005).

The individual's current level of job-related skills, physical and cognitive ability, (career) development, education, knowledge of the labour market, willingness to change jobs and his/her proactivity and adaptability are significant predictors of perceived employability (Van der Heijde & Van der Heijden, 2006; Wittekind, Raeder, & Grote, 2010). Employability in practice means that organisations that cannot offer job security should invest in learning and development opportunities to develop their employees' skills. These skills will contribute to their marketability and will ensure that they find new employment easier in the case of retrenchment (Galunic & Anderson, 2000; Waterman, Waterman, & Collard, 1994). The enhancement of employability can therefore be perceived by the employee as an employer obligation which forms part of the psychological contract between employer and employee (B. J. Linde, personal communication, June 15, 2011).

The analysis of employees' experiences requires a clear conceptual and analytical framework (Guest et al., 2010). The psychological contract provides an analytical framework through which employees' job-related attitudes, behaviour and well-being can be explored (Guest, 2004; Gracia, Silla, Peiró, & Fortes-Ferreira, 2007). Rousseau (1995) describes the psychological contract as "the individual beliefs, shaped by the organisation, regarding the terms of an exchange agreement between individuals and their organisation" (p. 9). In the

context of employment relationships, each party involved has perceptions regarding promises that were made and obligations that should be fulfilled. These promises (terms) and reciprocal obligations are generally referred to as the content of the psychological contract (CIPD, 2006; Rousseau & Tijoriwala, 1998). Examples of employee obligations that will typically form part of the content include attendance, protecting the company's image, loyalty, teamwork and innovation (Isaksson, 2006; Isaksson et al., 2003). Examples of employer obligations include providing the employee with interesting work, a comfortable atmosphere, advancement and growth opportunities, and challenging tasks (Isaksson, 2006; Isaksson et al., 2003). The content of the psychological contract, can be evaluated from the employer's or the employee's perspective, or both (Rousseau & Tijoriwala, 1998). For the purpose of this study, it will be measured from the perspective of the employee (one-sided). This is consistent with the view that a one-sided view is more preferable because the psychological contract implies that it is literally psychological, thus by implication an individual perception, and the definition implies that it affects behaviour (Freese & Schalk (2008). Freese and Schalk (2008) observe that the question is thus how an employee's behaviour can be influenced by the total of the employer's and employee's perception regarding obligations if the employee is unaware that his perception differs from those of the employer.

The state of the psychological contract, as defined by David Guest and his colleagues, has broadened the psychological contract construct to include the core elements (trust and fairness) of the traditional employment relationship and focuses less on the promises made and more on delivery (Guest & Conway, 2004). The state of the psychological contract is concerned with "whether promises and obligations have been met, whether they are fair and their implications for trust" (Guest, 2004, p. 549). Employees that are treated fairly and with respect display more commitment to the organisation (CIPD, 2010). Organisations that fulfil their promises, signal to employees that their contributions are valued, that they are an important part of the organisation and the organisation intend to continue the employment relationship (Coyle-Shapiro & Conway, 2005). In any relationship where promises are kept, satisfaction and desire to stay in the relationship will likely be the consequences (Conway & Briner, 2005).

Organisations are sometimes unable or unwilling to fulfil all the obligations that are associated with the perceived mutual promises (Gakovic & Tetrick, 2003). This constitutes psychological contract breach, and occurs when one side is able to fulfil its obligations but declines to do so (Rousseau, 1995) and when the other party cognitively evaluates that the

promises were broken (Morrison & Robinson, 1997; Tyagi & Agrawal, 2010). Perceptions are often based on implicit promises, and this creates room for breach (Guest et al., 2010). On a breach-fulfilment continuum, psychological contract breach is the opposite of psychological contract fulfilment (Conway, Guest, & Trenberth, 2011; Tyagi & Agrawal, 2010). A fulfilled psychological contract indicates the absence of breach (Tyagi & Agrawal, 2010). Gracia et al. (2007) concluded that there is a positive correlation between the state of the psychological contract and satisfaction with work, satisfaction with work-life balance, satisfaction with life and psychological well-being. Parzefall and Hakanen (2008) also found that employers who keep their promises and fulfil their obligations, energise their employees; which in turn sets off motivational and health-enhancing processes that positively influence employees' well-being and health.

It is evident that the traditional employment relationship has changed, resulting in changes in the psychological contract, and it is important to study the effects of this on employee well-being (Rothmann & Cilliers, 2007) and satisfaction (Guest et al., 2010). Brun (2010) highlights the negative impact of poor well-being on business performance such as increased costs associated with sick leave, early retirement, recruitment, grievances, disputes and compensation, loss of reputation, and decreased productivity due to production errors and accidents. Currie (2003) defines employee well-being as the physical and mental health of the workforce. Mental well-being refers to an individual's ability to develop his/her potential, to work productively and innovatively, to build interpersonal relationships and to contribute to the economy (Cooper, Field, Goswami, Jenkins, & Sahakian, 2010). Cartwright and Cooper (2009) include a third dimension of employee well-being, namely emotional well-being, and their definition also assumes that a positive evaluation of one's work experience is conducive to one's well-being. The Psychological Contract Across Employment Situations (PSYCONES) project is undertaken regularly across Europe in various industries to examine how changes in the employment relationship and specific types of employment contracts influence job security, well-being and the health of workers. This study will use measures of work-related well-being that have been identified in previous research findings namely indicators of satisfaction at work and in life, mental health (irritation, anxiety and depression) and work-life balance (CIPD, 2006; Guest et al., 2010).

Job satisfaction is defined as an employee's overall satisfaction with his/her job and two dimensions of this factor can be distinguished: the intrinsic dimension involves feelings about the nature of the task while the extrinsic dimension involves feelings about aspects external to the task (Hirschfeld, 2000; Rothmann, 2008). Job satisfaction has implications for subjective

well-being (Judge & Hulin, 1993), which comprises positive and negative affect, and life satisfaction (Hodges & Clifton, 2004). Workplace research has linked the life satisfaction component with job satisfaction (Judge & Watanabe, 1993). Geurts et al. (2005) define work-home interference as “a process in which a worker’s functioning (behaviour) in one domain (e.g. home) is influenced by (negative or positive) load reactions that have built up in the other domain (e.g. work)” (p. 322). Positive work-home interference can be defined as positive influences that have been developed in the work domain and that contribute to and enhance functioning at home (Geurts et al., 2005). Work-related irritation, which also covers negative aspects of work-home interference, is defined by Muller, Mohr, and Rigotti (2004) as “a state of psychological impairment caused by perceived thwarting of goals” (p. 223). Guest et al. (2010) argue that irritation serves as an indicator of mental strain related to work.

Psychological contract research employs three theories to explain the mechanisms through which promises and obligations predict work-related behaviours and well-being: the Social Exchange Theory (SET) (Blau, 1964), the Job Demands-Resources (JD-R) Model (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001; Bakker, Demerouti, & Verbeke, 2004) and the Affective Events Theory (AET) (Weiss & Cropanzano, 1996). Blau (1989) uses the SET to conceptualise the employment relationship in terms of social exchange processes. The main assumption of this theory is that individuals will establish and maintain a relationship if they perceive this relationship as mutually beneficial. Individuals therefore enter into a relationship if they expect benefits to be exchanged irrespectively of normative obligations (Zafirovsky, 2005). The behaviour of the individuals involved in the relationship is reinforced by the benefits to be gained; and each person’s actions are thus dependent on those of the other person. Individuals involved in the exchange relationship calculate the give and take ratio and compare it to a standard. If there are perceived discrepancies they will adjust their input accordingly (Blau, 1964). Employees freely provide their skills, effort and commitment in exchange for monetary and socio-emotional rewards provided by the employer (Meyer & Allen, 1997).

The JD-R model postulates that each job has its own unique characteristics and that these can be divided into job demands and job resources. Job demands can be any physical, psychological, social or organisational aspect that requires the individual to invest physical and psychological effort in order to perform effectively. Job resources are the physical, psychological, social or organisational aspects that support the employee in performing effectively (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004). Schaufeli and Bakker (2004) have found that ample job resources enable the employee to deal with demands of the

job, thus acting as energisers that create positive attitudes, behaviour and feelings at work. Job resources also correlate positively with employee well-being (Hakanen, Schaufeli, & Ahola, 2008). Parzefall and Hakanen (2008) are of the opinion that psychological contract fulfilment can be considered a job resource that employees expect employers to provide; this will promote a sense of care and support among employees, positively influencing their evaluation of the state of the employment relationship.

The AET explains the effect of breach on work-related outcomes; immediately after a negative workplace event, negative affect or emotions arise, such as anger or fear, which prevent individuals from interpreting the situation rationally (Zhao, Wayne, Glibkowski, & Bravo, 2007; Tyagi & Agrawal, 2010). The intensity of the emotions will be determined by the importance of the event in relation to personal goals, and these emotions may overwhelm the individual (Zhao et al., 2007). An individual's cognitive evaluation of the job is thus coloured by these emotions in such a way that negative job attitudes result (Thoresen, Kaplan, Barsky, Warren, & De Chermont, 2003). The theory of planned behaviour also supports the perspective that attitude predicts subsequent behaviour. Breach is a negative workplace event that triggers negative emotions, which in turn will predict work-related behaviour (Zhao et al., 2007). Empirical studies have confirmed the negative relationship between psychological contract breach and various job-related attitudes and behaviours, such as job satisfaction (CIPD, 2010; Bal, De Lange, Jansen, & Van Der Velde, 2008; Zhao et al., 2007).

In spite of the increased interest in employability, little empirical research has been done on what it actually means to employees in the context of their experiences, their aspirations and their perceptions of their ability to compete in the external labour market (Rothwell, Jewell, & Hardie, 2009). Scholars recently started investigating the relationship between (perceived) employability and well-being, but the evidence base is weak because there is a lack of empirical investigation (De Cuyper et al., 2011). In their study conducted among 1918 Swedish employees, Berntson and Marklund (2007) established that perceived employability is positively related to health and well-being. Individuals, who perceive their chances of finding new and equal employment as good, will be healthier and mentally well (Berntson & Marklund, 2007). Isaksson (2006) has found that employability is strongly associated with employee well-being (average effect size of 0.6), while Clinton and Guest (2010) also point out that employability associates positively with well-being and life satisfaction. Marler, Barringer, and Milkovich (2002) and Fugate, Kinicki, and Ashforth (2004) depict (perceived) employability as an employee asset that increases an employee's sense of control over his/her

job and career. Sense of control is considered a resource, and in line with the JD-R model which postulates that resources lead to job-related and general well-being, employability will relate positively to employee well-being (De Cuyper et al., 2011). The contemporary working environment places more emotional and mental demands on employees, with potentially damaging effects on people's work-related well-being (Schreuder & Coetzee, 2010). According to Dewe and Kompier (2010), negative well-being outcomes such as irritability, anxiety and depression may lead to job dissatisfaction, work-family conflict and high turnover.

Tett and Meyer (1993) define turnover intention as "a conscious and deliberate wilfulness to leave the organisation" (p. 262). Reviews on turnover intention indicated that intent to leave the organisation is the outcome variable (Ucho, Mkavga, & Onyishi, 2012) and it is a strong predictor of actual turnover (Vandenberg & Nelson, 1999). Intention to leave can be defined as an employee's subjective evaluation of the probability to leave the organisation in the near future (Mobley, 1982a, 1982b; Mowday, Porter, & Steers, 1982). Zhao et al. (2007) regard intention to leave as an indicator of an employee's level of psychological commitment towards the organisation. It is less constricted by external factors than actual turnover and therefore a more accurate reflection of the individual's attitude toward the organisation. Employees that intend to leave the organisation have strong negative reactions and attitudes, with detrimental effects on their performance as well as the morale of colleagues (Zhao et al., 2007).

Actual turnover can influence the performance of a business considerably by increasing training and recruitment expenses, lowering levels of employee morale, decreasing job satisfaction, creating the perception of decreased service/product quality among customers (Cho, Johanson, & Guchait, 2009) and the loss of tacit knowledge (Shahnawaz & Jafri, 2009). In the 14th Global CEO Survey conducted by Price Waterhouse Cooper (PwC), private sector leaders from 69 countries indicated their persistent focus on talent. Retaining key talent was their second most important concern, after economic instability (PwC, 2011a). Recruitment agencies take advantage of employees' dissatisfaction with employers, and organisations are therefore obliged to take steps to ensure retention of talent (PwC, 2011b). Both executives and consultants are of the opinion that the war for talent will continue in the foreseeable future (Beechler & Woodward, 2009).

One benefit of turnover is that new employees can potentially increase an organisation's competitiveness; but the loss of high-potential individuals is of concern (Smith & Rutigliano, 2002). Van Vianen, Feij, Krausz, and Taris (2003) identify push and pull as the two motives

for turnover. Dissatisfaction with one's current work situation would be a push factor while better opportunities to develop one's career elsewhere would serve as a pull factor. (Perceived) employability would serve as an example of a pull factor (Nauta, Van Vianen, Van der Heijden, Van Dam, & Willemsen, 2009). Perceived ease of movement is a predictor of actual turnover (Larson & Fukami, 1985), which is why perceived employability is measured in this study, as opposed to employability (actual ease of movement) in general. It is therefore assumed that highly employable employees would be the first to leave the organisation. This is an undesirable situation, due to the assumed relationship between employability and productivity/performance (Fugate et al., 2004).

De Cuyper et al. (2011) argue that the psychological contract could play an important role in retaining highly employable employees. They base their opinion on contract replicability research by Ng and Feldman (2008), which indicated that if employees perceive their contract as not replicable in other organisations, they are more inclined to experience job and life satisfaction and they are less inclined to leave the organisation. Empirical research conducted by De Cuyper et al. (2011) indicated a positive correlation between perceived employability and intention to leave. They also concluded that the number of psychological contract entitlements (in other words, employer obligations) is negatively related to employees' intention to leave the organisation. Previous studies found a positive correlation between psychological contract breach and intention to leave (Raja, Johns, & Ntalinais, 2004; Suazo, Turnley, & Mai-Dalton, 2005; Zhao et al., 2007). Collins (2010) indicates that psychological contract fulfilment is a significant predictor of intention to leave.

According to Tyagi and Agrawal (2010), only a small number of studies have focused on mediating factors between psychological contract breach/fulfilment and work-related behaviours. They recommended that a greater depth of investigation is required to understand and interpret the role of more mediating and moderating variables, especially factors that exacerbate or attenuate the impact of psychological contract breach/fulfilment on workplace attitudes, and on trust, turnover and retention (Tyagi & Agrawal, 2010). The aim of this research is to determine whether employee well-being mediates the relationship between the state of the psychological contract and employees' intention to leave, depicted in Figure 1.1. Baron and Kenny (1986) stipulate three requirements for establishing mediation effects. First, variations in the independent variable (state of the psychological contract) are accountable for statistically significant variations in the dependent variable (intention to leave). Second, variations in the independent variable are accountable for statistically significant variations in the presumed mediator variable (employee well-being). Third, variations in the presumed

mediator variable are accountable for statistically significant variations in the dependent variable. Mediation is present when all three conditions are met. Full mediation is demonstrated if the independent variable is no longer significant when the mediator variable is included in the equation. Partial mediation is demonstrated if the effect of the independent variable is smaller but nevertheless statistically significant, when the mediator variable is included in the equation (Baron & Kenny, 1986).

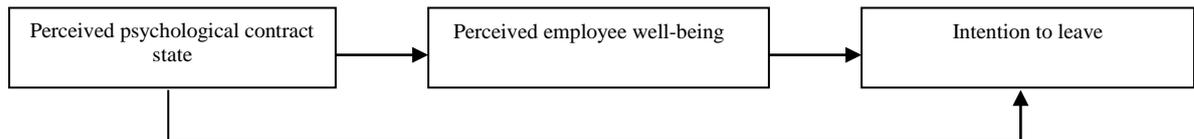


Figure 1.1. A model of psychological contract and intention to leave, with employee well-being as a full or partial mediator

It would be needless to evaluate only the above-mentioned mediation relationship, since the positive effects of perceived employability are important in buffering the negative effects of contemporary volatile business environments, as discussed above. The state of the psychological contract should play an important role in retaining highly employable employees while well-being is enhanced, as depicted in Figure 1.2.

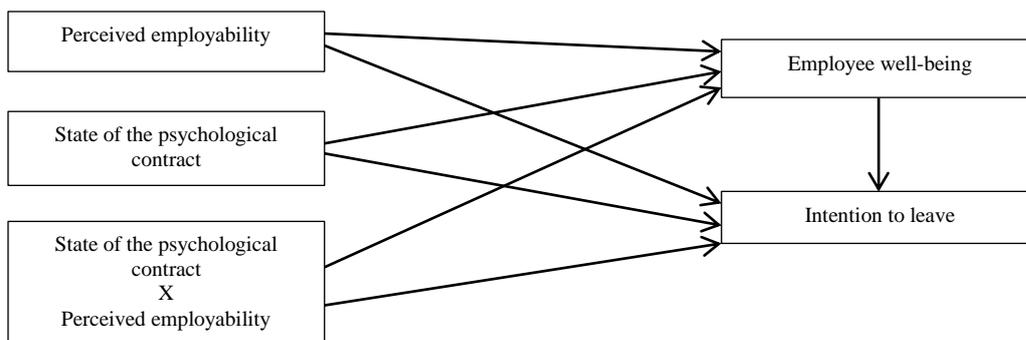


Figure 1.2. A proposed model of psychological contract interacting with perceived employability, well-being and intention to leave

1.1.1 Research Questions

In an attempt to address the problem that is described above, the following research questions were formulated for this research:

- What is the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave, according to literature?
- What is the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave, amongst employees?
- Does employee well-being mediate the relationship between the state of the psychological contract (as perceived by the employee) and intention to leave?
- How does existing literature describe the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave?
- What is the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave, amongst employees?
- Do the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being under the conditions of fulfilment, trust and fairness amongst employees?
- Do the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees?
- What recommendations can be made for future research and practice?

1.2 RESEARCH OBJECTIVES

1.2.1 General objectives

The general objective of the study is to explore the relationship between the state of the psychological contract, perceived employability, employee well-being and intention to leave.

1.2.2 Specific objectives

The specific objectives of the study are:

- To investigate the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave, as it is reported in existing literature;
- To determine the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave, amongst employees;
- To determine whether employee well-being mediates the relationship between the state of the psychological contract (as perceived by the employee) and intention to leave;
- To investigate the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave, as it is reported in existing literature;
- To determine the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave, amongst employees;
- To determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that that perceived employability relates positively to employee well-being under the conditions of fulfilment, trust and fairness amongst employees;
- To determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that that perceived employability relates negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees; and
- To make recommendations for future research and practice.

1.3 RESEARCH HYPOTHESES

Hypothesis 1a: There is a relationship between the state of the psychological contract (as perceived by the employee) and employee well-being amongst employees.

Hypothesis 1b: There is a relationship between the state of the psychological contract (as perceived by the employee) and intention to leave amongst employees.

Hypothesis 1c: There is a relationship between employee well-being and intention to leave amongst employees.

Hypothesis 2: Employee well-being mediates between the state of the psychological contract (as perceived by the employee) and intention to leave, with a partial effect.

Hypothesis 3a: There is a relationship between perceived employability and employee well-being amongst employees.

Hypothesis 3b: There is a relationship between perceived employability and intention to leave amongst employees.

Hypothesis 4a: The psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being under the conditions of fulfilment, trust and fairness amongst employees.

Hypothesis 4b: The psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees.

1.4 RESEARCH DESIGN

1.4.1 Research approach

This was a quantitative study. Bless, Higson-Smith, and Kagee (2006) explain that quantitative research relies on measurement to compare and analyse different variables. A cross-sectional research approach was used. According to De Vos, Strydom, Fouché, and Delport (2005), a cross-sectional design involves the collection of data at one single point in time and it is most useful for describing differences in a population at that particular moment. The study was both descriptive and exploratory. Even though the hypotheses are supported by theory, very little is known about mediating relationships and interaction effects in the field of psychological contracts. Primary data collection was performed and data was analysed by means of a correlational approach.

1.4.2 Research participants

For the purpose of this study, data was obtained through a combination of multi-stage non-probability sampling techniques, being convenience and snowball sampling. In the first stage, participants who were easiest to obtain were asked to complete the questionnaire. The second stage involved that participants were asked to identify other relevant members of the working population who could participate in the study (Olckers, Buys, & Grobler, 2010; Welman, Kruger, & Mitchell, 2005). The method was repeated until a representative sample of participants completed the questionnaire.

1.4.3 Research method

The research method involved a literature review and an empirical study. The results were presented in the form of two research articles.

1.4.3.1 Literature review for Article 1

A complete review of psychological contracts, employee well-being, and intention to leave was conducted in order to investigate the relationship between the variables. Relevant articles published between 1964 and 2012 were consulted after accessing databases such as EbscoHost (Academic Search Premier; Africa-Wide Information; Business Source Premier; E-Journals; EconLit; PsycINFO; PsycARTICLES; SocINDEX), ScienceDirect and Scopus. Journals relevant to the topic were also consulted, namely *Journal of Managerial Psychology*, *Human Resource Management*, *Journal of Vocational Behavior*, *Journal of Personality and Social Psychology*, *International Journal of Hospitality Management*, *Journal of Applied Psychology*, *The International Journal of Human Resource Management*, *South African Journal of Psychology*, *Journal of Business and Psychology*, *Work & Stress*, *Psychology in Spain*, *Applied Psychology: An International Review*, *Educational and Psychological Measurement*, *Organizational Behavior and Human Decision Processes*, *Academy of Management Journal*, *Journal of Organizational Behavior*, *Academy of Management Review*, *Journal of Managerial Psychology*, *Employee Responsibilities and Rights Journal*, *South African Journal of Industrial Psychology*, *Journal of Leadership & Organizational Studies*,

Journal of Management Research, The Indian Journal of Industrial Relations, Psychological Bulletin, Human Relations, Electronic Journal of Sociology, and Personnel Psychology.

1.4.3.2 Literature review for Article 2

A complete review of psychological contracts, employee well-being, intention to leave and (perceived) employability was conducted in order to investigate the relationship between the variables. Relevant articles published between 1964 and 2012 were consulted after accessing databases such as EbscoHost (Academic Search Premier; Africa-Wide Information; Business Source Premier; E-Journals; EconLit; PsycINFO; PsycARTICLES; SocINDEX), ScienceDirect and Scopus. Journals relevant to the topic were also consulted, namely *Journal of Managerial Psychology, Human Resource Management, Journal of Vocational Behavior, Journal of Personality and Social Psychology, International Journal of Hospitality Management, Journal of Applied Psychology, The International Journal of Human Resource Management, South African Journal of Psychology, Journal of Business and Psychology, Work & Stress, Psychology in Spain, Applied Psychology: An International Review, Educational and Psychological Measurement, Organizational Behavior and Human Decision Processes, Academy of Management Journal, Journal of Organizational Behavior, Academy of Management Review, Journal of Managerial Psychology, Employee Responsibilities and Rights Journal, South African Journal of Industrial Psychology, Journal of Leadership & Organizational Studies, Journal of Management Research, The Indian Journal of Industrial Relations, Psychological Bulletin, Human Relations, Electronic Journal of Sociology, Personnel Psychology, Human Resource Development International, Economic and Industrial Democracy, Journal of Education & Work, Organizational Science, Urban Studies, International Journal of Selection & Assessment, and Harvard Business Review.*

1.4.3.3 Measuring instruments

Biographical Questionnaire. A biographical questionnaire was used to determine the demographical characteristics of the research participants in order to provide a detailed description of the study population. These characteristics include age, gender, level of education, length of employment in current organisation, and type of employment contract. Issakson et al. (2003) indicate that these characteristics are known to affect the employment situation.

Psychological contract. To determine whether employees had a positive evaluation of their psychological contract, three aspects of the psychological contract were evaluated: content (employer and employee obligations), perceived fulfilment and an evaluation of the state of the psychological contract. For *employer obligations*, three dimensions are covered by the scale, namely transactional aspects, career prospects, and chance to influence decision-making. These were measured by means of 15 items (e.g. “Has your organisation promised or committed itself to provide you with interesting work”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003). *Employee obligations* (one dimension) were measured using 16 items (e.g. “Have you promised or committed yourself to show loyalty to the organisation”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson et al., 2003). For *state of the psychological contract*, 2 dimensions are covered by the scale, namely trust in management and justice. These dimensions were evaluated using seven items (e.g. “Do you feel you are fairly paid for the work you do”). The items are scored on a five-point frequency-rating scale ranging from 1 = “not at all” to 5 = “totally”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003).

Intention to leave. Intention to leave was measured using four items (e.g. “These days, I often feel like quitting”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Isaksson, 2006). Walters (2008) confirmed reliability in a South African population with a Cronbach’s alpha coefficient of $\alpha = .93$.

Employee well-being. Employee well-being was measured on five scales: job satisfaction, satisfaction with life, mood (affective well-being), positive work-home interference, and irritation. *Job satisfaction* was measured according to four items (e.g. “I find enjoyment in my work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Issakson, 2006). *Satisfaction with life* was measured by means of six items (e.g. “How satisfied do you currently feel about your life in general”). The items are scored on a seven-point frequency-rating scale ranging from 1 = “very dissatisfied”

to 7 = “very satisfied”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson, 2006). For *affective well-being*, two dimensions are covered by the scale, namely work-related depression and work-related anxiety. These dimensions are measured through 10 items (e.g. “In the past few weeks, how often have you felt uneasy regarding your work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$ and $.83$; Isaksson, 2006). *Positive work-home interference* was measured using three items (e.g. “How often does it happen that you manage your time at home more efficiently as a result of the way you do your job”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .83$; Isaksson, 2006). *Irritation* was measured through eight items (e.g. “I get angry quickly”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .86$; Isaksson, 2006).

Perceived employability. Perceived employability was measured by means of four items developed by De Witte (1992). It has been applied successfully in different employment settings and countries (Guest et al., 2010). Respondents rated their agreement with the following items: “I am optimistic that I would find another job, if I looked for one”, “I will easily find another job if I lose this job”, “I could easily switch to another employer, if I wanted to”, and “I am confident that I could quickly get a similar job”. All the items are rated on a five-point frequency-scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Reliability was high (Cronbach’s $\alpha = .90$, De Cuyper et al., 2011). Perceived employability was measured and reported on in the second article.

1.4.4 Research procedure

After permission had been obtained from the management of a cable manufacturing organisation, a letter requesting participation was attached to questionnaires. The letter explained the objectives and importance of the study. Participants were allowed to complete the questionnaire in groups of ten in a venue convenient for the respective divisions in the organisation. It took about 30 minutes to complete the questionnaire, after which participants submitted the completed questionnaires to the researcher. The process was repeated for a

period of four weeks, and employees were then approached to identify other suitable participants outside the organisation who could participate in the study. Questionnaires were distributed in envelopes and participants were given four weeks to complete the questionnaires, and then had to return it to the researcher via the employees who proposed them as participants. After the specified timeframe, the data collection process was ended and data analysis commenced. Participation in the study was voluntary and anonymity and confidentiality were ensured. The cable manufacturing organisation in question would receive comprehensive feedback regarding results once the study had been completed.

1.4.5 Statistical analysis

The statistical analysis of the study was carried out by means of the SPSS programme (IBM SPSS Inc., 2011) and the SPSS Amos programme (IBM SPSS Inc., 2011).

1.4.5.1 Statistical analysis: Article 1

The factorial validity of the questionnaire was evaluated using confirmatory factor analysis (CFA). According to Pallant (2010), CFA is a more complex and sophisticated set of techniques to test (confirm) the underlying structure of a set of variables. Confirmatory factor analyses were conducted with SPSS Amos to confirm the underlying structure of the latent variables (psychological contract state, intention to leave and employee well-being) in the study population. The data was analysed by means of descriptive statistics (e.g. means, standard deviations, skewness and kurtosis) and inferential statistics (correlations and structural equation modelling). Pearson product-moment correlation coefficients were used to specify the relationships between the variables (psychological contract state, intention to leave and employee well-being) before structural equation modelling was performed. Due to the negative skewness and high kurtosis of employee obligations, Spearman correlations were calculated. Effect sizes were used to determine the practical significance of the results (Steyn, 2002). Cut-off points of respectively .30 (medium effect) and .50 (large effect) were set for the practical significance of the correlation coefficients (Cohen, 1988). The confidence interval level for statistical significance was set at a value of 90% ($p \leq .10$) for confirmatory factor analysis and at a value of 99% ($p \leq .01$) for correlations. Cronbach's alpha coefficient was computed to determine the internal consistency of the scales. Ideally, the Cronbach's

alpha coefficient of a scale should be above .70 but the values are quite sensitive to the number of items in the scale (Pallant, 2010).

Structural equation modelling (SEM) was used to simultaneously assess the strength and direction of the relationship between the state of the psychological contract and employee well-being (Hypothesis 1a) and employees' intention to leave (Hypothesis 1b) respectively, and also between employees' well-being and intention to leave (Hypothesis 1c). SEM was also performed to evaluate whether employee well-being mediates the relationship between the state of the psychological contract and employees' intention to leave (Hypothesis 2). Mediation was performed by means of the three steps described by Baron and Kenny (1986): in the first step the independent variable (psychological contract state) was regressed on the dependent variable (intention to leave); in the second step the independent variable was regressed on the presumed mediator; and in the third step the presumed mediator was regressed on the dependent variable. If the effect of the independent on the dependent variable is less significant (partial) or not significant (full) in the third equation, well-being is considered a mediating variable.

SEM is a statistical method that uses a confirmatory approach in quantifying and testing a structural theory based on some phenomenon (Byrne, 2010; Raykov & Marcoulides, 2006). The Chi-square (χ^2) and several other goodness-of-fit indices were used to determine the goodness-of-fit between the hypothesised model and the sample data (Byrne, 2010). The goodness-of-fit indices that were used in conjunction with the Chi-square are the χ^2/df ratio; the Tucker-Lewis Index (TLI); the Comparative Fit Index (CFI); and the Root Mean Square Error of Approximation (RMSEA). Acceptable fit of the model was indicated by non-significant χ^2 values, values larger than or equal to .90 for TLI and CFI and RMSEA values smaller than or equal to .08 (Byrne, 2010). The mediational role of employee well-being in the associations of state of the psychological contract and employees' intention to leave was more formally examined through a series of Sobel tests.

1.4.5.2 Statistical analysis: Article 2

The factorial validity of the employability questionnaire was evaluated using confirmatory factor analysis (CFA). Confirmatory factor analyses were conducted with SPSS Amos to confirm the underlying structure of the latent variable (perceived employability) in the study population. The data was analysed by means of descriptive statistics (e.g. means, standard deviations, skewness and kurtosis) and inferential statistics (correlations and structural

equation modelling). Pearson product-moment correlation coefficients were used to specify the relationships between the variables (intention to leave, employee well-being and perceived employability) before structural equation modelling were performed. Due to the negative skewness and high kurtosis of employee obligations, Spearman correlations were calculated. The confidence interval level for statistical significance was set at a value of 95% ($p \leq .05$) for correlations and 90% ($p \leq .10$) for CFA.

Structural equation modelling (SEM) methods were used to test the strength and direction of the relationship between perceived employability and well-being (Hypothesis 3a) and intention to leave (Hypothesis 3b). The proposed model of psychological contract interacting with perceived employability, well-being and intention to leave was also tested by means of SEM (Hypothesis 4). SEM is a statistical method that uses a confirmatory approach in quantifying and testing a structural theory based on some phenomenon (Byrne, 2010; Raykov & Marcoulides, 2006). The structural model with an interaction effect between the state of the psychological contract and perceived employability was assessed with the interaction effect having a direct effect on both employee well-being and intention to leave. The Chi-square (χ^2) and several other goodness-of-fit indices were used to determine the goodness-of-fit between the hypothesised model and the sample data (Byrne, 2010). The goodness-of-fit indices that were used in conjunction with the Chi-square are the χ^2/df ratio; the Tucker-Lewis Index (TLI); the Comparative Fit Index (CFI); and the Root Mean Square Error of Approximation (RMSEA). Acceptable fit of the model was indicated by non-significant χ^2 values, values larger than or equal to .90 for GFI and CFI and RMSEA values smaller than or equal to .08 (Byrne, 2010).

1.4.6 Ethical considerations

Ethical considerations that guided this research entailed that participants were informed that their participation was voluntary; they gave informed consent; and they were assured of anonymity. The researcher took care not to cause harm to participants and to respect the rights and dignity of all participants.

1.4.7 Expected contributions of the study

1.4.7.1 Contribution in terms of the individual

The increasing emotional and mental demands of a knowledge-intensive economy place enormous pressure on employees. The situation is exacerbated by uncertain employment prospects brought on by the economic recession. The research created an awareness amongst employees of the factors that contribute to their elevated stress levels and how this impact on their intention to leave. Ways to increase (perceived) employability can potentially facilitate coping by employees in uncertain and turbulent times.

1.4.7.2 Contribution in terms of the organisation

Human resources departments face the challenges of managing employees in a dynamic and changing environment. Strategic management of talent can contribute meaningfully to the competitiveness of the organisation and therefore talent management practices should be proactive rather than reactive (Marah & Murray, 2007). Organisations operating in today's turbulent business environment are sometimes unable to prevent psychological contract breach. By establishing the mediating effect of employee well-being, organisations may develop interventions to enhance employee well-being, especially in situations where the psychological contract cannot be protected. If perceived employability plays a role in enhancing employees' well-being and in reducing intention to leave, it – together with the fulfilment of promises – can offer the organisation a tool to increase its organisational success during times of uncertainty.

1.4.7.3 Contribution in terms of human resource/industrial/organisational literature

According to Conway and Briner (2005), psychological contract research has mainly focused on content and breach. As far as is known, employee well-being as mediator in the relationship between the state of the psychological contract and employees' intention to leave has never been researched or tested. Employee well-being and intention to leave are usually researched as direct outcomes of breach/fulfilment. Empirical research on the relationship of employability with both employee well-being and intention to leave is also limited. As far as is known, the effect of the interaction between employability and the state of the

psychological contract to enhance well-being and to reduce intention to leave has also never been researched or tested. This research assists with identifying predictors of intention to leave and with identifying whether these predictors have a direct or indirect effect on outcomes. Although it is known that intentions are accurate predictors of behaviour, it is not known what determines such intentions (Firth, Mellor, Moore, & Loquet, 2004).

The study contributes to the bulk of research on turnover by determining the impact of job stressors (negative evaluation of the state of the psychological contract) on employees' intention to leave, and more specifically mediating factors predicting intention to leave, thus supporting previous studies that established an indirect effect. Therefore, this study contributes to literature on psychological contracts, employee well-being, turnover, and employability by filling voids in research. The study also makes a statistical contribution, because an evaluation of structural equation models allows the overall evaluation of relationships between variables simultaneously. Consequently, the estimation of the effects of the variables is more accurate than single (hierarchical) regression models (Huang, Lawler, & Lei, 2007).

1.5 OVERVIEW OF CHAPTERS

In Chapter 2 and 3, the findings of the research objectives are discussed in the form of two research articles. Chapter 4 deals with the conclusions, limitations and recommendations of this research.

1.6 CHAPTER SUMMARY

This chapter presented the problem statement and research objectives. The measuring instruments and the research method used in this study were explained, followed by a brief overview of the chapters that follow.

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CHAPTER 2

RESEARCH ARTICLE 1

THE STATE OF THE PSYCHOLOGICAL CONTRACT AND EMPLOYEES' INTENTION TO LEAVE: THE MEDIATING ROLE OF EMPLOYEE WELL-BEING

ABSTRACT

Changes in the work environment can influence employees' perception of the employment relationship, their psychological contracts and consequently their work-related attitudes and behaviour. The study aimed to demonstrate the mechanism through which the state of employees' psychological contract impacts on employees' intention to leave employment and the role of employee well-being as a mediator. Cross-sectional data was obtained from employees representing various organisations (N=246). Structural equation modelling (SEM) demonstrated that employee well-being mediates the relationship between the state of the psychological contract and an employee's intention to leave the organisation. The study stresses the importance of designing individual-level interventions to enhance well-being in the workplace which should form part of the retention strategy of any organisation.

Keywords: Psychological contract, intention to leave, well-being, mediation

INTRODUCTION

Over the next two decades organisations will be increasingly faced with globalisation and tough competition, new technology, and demographic changes in the composition of the workforce (Dewe & Kompier, 2010). Organisations have to adapt to the rapidly changing macro and micro business environments by reorganising work and employment (Guest, Isaksson, & De Witte, 2010). This implies changes in the employment relationship that may have an impact on the viability thereof (Guest, 2004), as well as on employees' subjective experiences of their work and the employment relationship (Rothmann & Cilliers, 2007; Schreuder & Coetzee, 2010). Employees could react to these uncertain employment conditions by showing less loyalty, which may manifest in turnover behaviour (Marah & Murray, 2007; Tyagi & Agrawal, 2010). "Which factors motivate employees to leave?" is a key question for any organisation that wishes to retain its employees. Carmeli and Weisberg (2006) maintain that it is important to identify the factors that would minimise an employee's intention to leave the organisation, since several researchers have identified intention to leave as the best predictor of actual turnover (Cho, Johanson, & Guchait, 2009; Steel & Ovalle, 1984; Tett & Meyer, 1993; Vandenberg & Nelson, 1999).

Uncertain employment conditions may lead to a perception among employees that their psychological contracts are not being fulfilled (Guest, 2004; Morrison & Robinson, 1997; Zhao, Wayne, Glibkowski, & Bravo, 2007), with a potentially negative impact on employees' attitudes and work-related behaviours (Bal & Kooij, 2011). Psychological contracts are mental models through which employees interpret and predict the employment relationship (Bal & Kooij, 2011; Rousseau, 1995; Shore & Tetrick, 1994) and it provides a conceptual and analytical framework which enables us to understand employees' work-related attitudes, behaviour and well-being (CIPD, 2010; Gracia, Silla, Peiró, & Fortes-Ferreira, 2007; Guest, 2004; Guest et al., 2010). The state of the psychological contract, as defined by Guest and Conway (2004), has broadened the construct of the psychological contract to include the core elements (trust and fairness) of the traditional employment relationship and to focus less on the promises made (content) and more on delivery. The state of the psychological contract is concerned with "whether promises and obligations have been met, whether they are fair and their implications for trust" (Guest, 2004, p. 549).

Since Denise Rousseau published her first article on the psychological contract in 1989, numerous articles have been published on the role of the psychological contract in explaining various variables related to the employment relationship. These publications focused mainly

on the content of the psychological contract and the effect of breach on work attitudes, leaving several dimensions of the concept unexplored. Studies involving the content did not prove to be useful in studying the outcomes of the psychological contract, implying that content has weaker theoretical links with outcomes than with breach (Conway & Briner, 2005, 2009). The negative implications of breach are the most thoroughly investigated phenomenon in psychological contract research (Rigotti, 2009; Tyagi & Agrawal, 2010; Zhao et al., 2007). Conway and Briner (2005, 2009), Gracia et al. (2007) and Tyagi and Agrawal (2010) advocate a focus on a more comprehensive approach to the concept of the psychological contract.

Studies focusing on the evaluation of the state of the psychological contract contribute to more explanatory research instead of descriptive research, enabling researchers to predict certain variables related to employees' attitudes, behaviour and well-being (Gracia et al., 2007). Gracia et al. (2007) argue that future research should continue exploring the relationship between the state of the psychological contract and employees' attitudes and behaviour and the extent to which it is capable of predicting attitudes such as job satisfaction, organisational commitment and intention to leave. Guest (1998) considers the state of the psychological contract an important precursor of employee behaviour and attitudes, beyond the variance explained by the content of the psychological contract.

Mediation analysis has long been used to explore the psychological processes involved in explaining the effect of independent variables on dependent variables (Rucker, Preacher, Tormala, & Petty, 2011). According to Tyagi and Agrawal (2010), only a small number of studies have previously focused on mediating factors between psychological contract breach and work-related behaviours. They recommended an in-depth investigation to understand and interpret the role of more mediating and moderating variables, especially factors that aggravate or mitigate the impact of psychological contract breach on workplace attitudes, and on trust, turnover and retention. Conway and Briner (2005, 2009) confirm that researchers rarely explore mechanisms and processes through which breach affects outcomes, and that tests for mediators have also produced mixed results. According to Firth, Mellor, Moore, and Loquet (2004), research on the antecedents of intention to leave also produced different results in terms of direct and indirect effects and it is worth evaluating the direct and indirect effects of job stressors on intention to leave. Along this line, Vandenberghe, Panaccio, Bentein, Mignonac, and Roussel (2011) claim that studies should examine whether job attitudes mediate the effect of job stressors on turnover intention.

Turnley and Feldman (2000) proved that job dissatisfaction mediates the relationship between psychological contract violation and intention to leave; however, we could not identify research that investigated the possibility of employee well-being mediating the relationship between the state of the psychological contract and employees' intention to leave the organisation. Numerous empirical studies have focused on employee well-being and intention to leave as direct outcomes of psychological contract breach/fulfilment, but none has aimed to determine the role of employee well-being as a mediator between the state of the psychological contract (as perceived by the employee) and the employee's intention to leave. A high intention to leave may be decreased if the source of dissatisfaction is dealt with (Vandenberg & Nelson, 1999), but it is important to identify the source first. The problem is to determine the influence of the state of the psychological contract on employees' work-related attitudes and behaviours in the dynamic South African labour environment as well as to determine whether this influence is of a direct or indirect nature.

The objective of this paper was to determine whether employee well-being mediates the relationship between the state of the psychological contract (as perceived by the employee) and employees' intention to leave the organisation. This objective will be achieved by reviewing existing literature on the relationship between the state of the psychological contract, employee well-being and intention to leave. Thereafter the results of the empirical study will be discussed.

THEORY AND HYPOTHESES

The relationship between the state of the psychological contract, employee well-being and intention to leave

The key drivers of any organisation are its employees (CIPD, 2010). Organisations that aspire to be the leaders in their industries are therefore obliged to attract and retain employees (Athey, 2004). The loss of employees has a negative impact on organisations, individuals and the economy of the country, both directly and indirectly (Carmeli & Weisberg, 2006; Firth et al., 2004; Meyer & Allen, 1997; Mobley, 1982a; Weisberg & Kirschenbaum, 1991). Organisations are sometimes unable or unwilling to fulfil all the obligations that are associated with the perceived mutual promises (Gakovic & Tetrick, 2003). This constitutes psychological contract breach and occurs when one side, who is able to fulfil its obligations, declines to do so (Rousseau, 1995) and the other party cognitively evaluates that the promises

were broken (Morrison & Robinson, 1997; Tyagi & Agrawal, 2010). Perceptions are often created from implicit promises that create room for breach (Guest et al., 2010). On the breach-fulfilment continuum, the experience of psychological contract breach is the opposite of psychological contract fulfilment (Conway, Guest, & Trenberth, 2011; Tyagi & Agrawal, 2010). A fulfilled psychological contract indicates the absence of breach (Tyagi & Agrawal, 2010).

Schreuder and Coetzee (2010) argue that “new” workplaces lead to significantly more intellectual and psychological demands with the potential to negatively influence employees’ subjective experiences of their jobs, consequently influencing their well-being. Employee well-being refers to the physical, mental and emotional well-being of employees and assumes that a positive evaluation of one’s work experience is conducive to one’s well-being (Cartwright & Cooper, 2009; Currie, 2003). Gracia et al. (2007) conclude that there is a positive correlation between the state of the psychological contract and satisfaction with work, satisfaction with work-life balance, satisfaction with life and psychological well-being explaining a larger percentage of variance in the outcome variable than just the content of the psychological contract on its own. Parzefall and Hakanen (2008) also found in their study that employers who keep their promises and fulfil their obligations, energise their employees, which sets off motivational and health-enhancing processes that positively influence employees’ well-being and health.

The relationship between the state of the psychological contract and employee well-being can be explained by the Job Demands-Resources Model (JD-R) (Bakker, Demerouti, & Verbeke, 2004; Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). The JD-R model postulates that each job has its own unique characteristics that can be divided into job demands and job resources. Job demands can be any physical, psychological, social or organisational aspect that requires the individual to invest physical and psychological effort in order to perform effectively. Job resources are the physical, psychological, social or organisational aspects that support the employee in performing effectively (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004). Schaufeli and Bakker (2004) observe that ample job resources enable an employee to deal with the demands of the job, thus acting as energisers leading to positive attitudes, behaviour, and feelings at work. Job resources also correlate positively with employee well-being (Hakanen, Schaufeli, & Ahola, 2008). Parzefall and Hakanen (2008) consider psychological contract fulfilment as a job resource that employees expect employers to provide. This will promote a sense of care and support

among employees and will positively influence their evaluation of the state of the employment relationship. The following hypothesis is proposed:

Hypothesis 1a: There is a relationship between the state of the psychological contract (as perceived by the employee) and employee well-being.

Intention to leave can be defined as an employee's subjective evaluation of the probability to leave the organisation in the near future (Mobley, 1982a, 1982b; Mowday, Porter, & Steers, 1982). Firth et al. (2004) concluded that despite the limitations in turnover research, four factors have been identified as consistent predictors of intention to leave: the experience of job-related stress, stressors contributing to job-related stress, a lack of organisational commitment and job satisfaction (Firth et al., 2004). Rigotti's (2009) study of threshold models indicated that the higher the level of breach, the more dissatisfied and distrusting employees will be, with a higher intention to leave. According to Dewe and Kompier (2010), negative well-being outcomes such as irritability, anxiety and depression may lead to job dissatisfaction, work-family conflict and an intention to leave the organisation. The following hypothesis is therefore proposed:

Hypothesis 1b: There is a relationship between employee well-being and intention to leave.

Zhao et al. (2007) regard intention to leave as an indicator of an employee's level of psychological commitment towards the organisation. It is less constricted by external factors than actual turnover and therefore a more accurate reflection of the individual's attitude toward the organisation. Employees who intend to leave the organisation have strong negative reactions and attitudes with detrimental effects on their performance as well as the morale of colleagues (Zhao et al., 2007). Several studies have also found a positive relationship between psychological contract breach and employees' intention to leave (CIPD, 2010; Collins, 2010; Zhao et al., 2007). The psychological contract has direct and indirect (via well-being) influence on an employee's intention to end the employment relationship. The following hypothesis is proposed:

Hypothesis 1c: There is a relationship between the state of the psychological contract (as perceived by the employee) and intention to leave.

Blau (1989) used the Social Exchange Theory (SET) to conceptualise the employment relationship in terms of social exchange processes. The main assumption of this theory is that individuals will establish and maintain a relationship if they perceive this relationship as mutually beneficial. Individuals therefore enter into a relationship if they expect benefits to be exchanged irrespectively of normative obligations (Zafirovsky, 2005). The behaviour of individuals involved in the relationship is reinforced by the benefits to be gained, where each person's actions are dependent on those of the other person. Individuals involved in the exchange relationship calculate the give and take ratio and compare it to a standard: if there are perceived discrepancies, they will adjust their input accordingly (Blau, 1964). Employees freely provide their skills, effort and commitment in exchange for monetary and socio-emotional rewards provided by the employer (Meyer & Allen, 1997). Employees will commit to the organisation (lower intention to leave) if they evaluate the state of the psychological contract positively.

The effect of breach on work-related outcomes can be explained by the Affective Events Theory (AET) (Weiss & Cropanzano, 1996). Immediately after a negative workplace event, negative affect or emotions arise, such as anger or fear, which prevent individuals from interpreting the situation rationally (Tyagi & Agrawal, 2010; Zhao et al., 2007). The intensity of the emotions will be determined by the importance of the event in relation to personal goals, and these emotions may overwhelm the individual (Zhao et al., 2007). An individual's cognitive evaluation of the job is influenced by these emotions in such a way that negative job attitudes can materialise (Thoresen, Kaplan, Barsky, Warren, & De Chermont, 2003). The theory of planned behaviour also supports the perspective that attitude predicts subsequent behaviour. Breach is a negative workplace event that triggers negative emotions, which in turn will predict work-related behaviour (Zhao et al., 2007). Empirical studies have confirmed the negative relationship between psychological contract breach and various job-related attitudes and behaviours, such as job satisfaction (CIPD, 2010; Bal, De Lange, Jansen, & Van der Velde, 2008; Zhao et al., 2007).

The mediating effect of employee well-being on the relationship between the state of the psychological contract (as perceived by the employee) and intention to leave

The relationship between the state of the psychological contract and intention to leave is a prerequisite for the establishment of a mediation relationship (Rucker et al., 2011). Baron and Kenny (1986) identify three requirements for establishing mediation effects: first, variations

in the independent variable (state of the psychological contract) are accountable for statistically significant variations in the dependent variable (turnover intention); second, variations in the independent variable are accountable for statistically significant variations in the presumed mediator variable (employee well-being); and third, variations in the presumed mediator variable are accountable for statistically significant variations in the dependent variable. Mediation is achieved when all three conditions are met. Full mediation is demonstrated if the independent variable is no longer significant when the mediator variable is included in the equation. Partial mediation is demonstrated if the effect of the independent variable is smaller when the mediator variable is included in the equation (Baron & Kenny, 1986).

Wunder, Dougherty, and Welsh (1982, as cited in Firth et al., 2004) have found a direct relationship between job stressors and intention to leave. Firth et al. (2004), on the other hand, concluded that there was no direct relationship between job stressors and intention to leave. Instead they found indirect relationships through perceived support from supervisors, job satisfaction, job commitment and feelings of job stress. Several other studies (Amstrong-Stassen, al-Ma'Aitah, Cameron, & Horsburgh, 1994; Igarria & Greenhaus, 1992) have also found no direct relationship between job stressors and intention to leave, but rather indirect relationships. The following hypothesis is therefore proposed:

Hypothesis 2: Employee well-being mediates between the state of the psychological contract (as perceived by the employee) and intention to leave, with a partial effect.

The mediation relationship is depicted below:

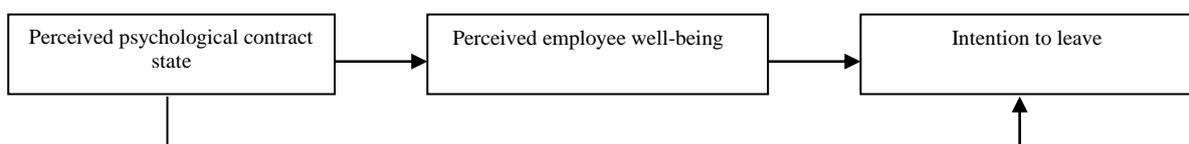


Figure 1. Hypothesised model

RESEARCH DESIGN

Research approach

This study follows a quantitative, cross-sectional research approach. Even though the hypotheses are supported by theory, very little is known about mediating relationships in the field of psychological contracts. Primary data collection was performed and data was analysed by means of a correlational approach.

METHOD

Sample and procedures

A convenience sample comprising 246 respondents completed the three measurements of the PSYCONES questionnaire. The majority of the respondents were male ($n = 151$; 61%). 108 (44%) of the respondents had a higher educational background (i.e. education beyond secondary school level) and 91 (37%) were in possession of a Grade 12 certificate (i.e. education at secondary school level). Most participants were employed on permanent contracts ($n = 229$; 93%). The mean age of the participants was 39 years ($SD = 10.54$) and their mean organisational tenure was eight years ($SD = 9.04$). The participants also ranged from entry-level employees to top management.

The data for the study was obtained through a combination of a multi-stage non-probability sampling techniques, being convenience and snowball sampling. In the first stage participants who were easiest to obtain were asked to complete the questionnaire. Participants were then asked to identify other relevant members of the working population who could participate in the study (Olckers, Buys, & Grobler, 2010; Welman, Kruger, & Mitchell, 2005). The method was repeated until a representative sample of participants completed the questionnaire. The convenience sample consisted of 163 (66%) respondents from a cable manufacturing organisation and the snowball sample consisted of 83 (34%) respondents from various industries in the Gauteng province of South Africa. These employees represented the automotive, engineering, education, finance, media, metals and mining, nursing, police and retail industries.

Measures

Three measurements of the PSYCONES questionnaire (Isaksson et al., 2003) were used to evaluate the state of the psychological contract, employee well-being and turnover intention. The psychological contract measure was developed for the purpose of the Psychological Contracting Across Employment Situations (PSYCONES) project (De Cuyper, Van Der Heijden, & De Witte, 2011), based on factor analyses of earlier instruments (Isaksson et al., 2003).

Psychological contract. To determine whether employees had a positive evaluation of their psychological contract, three aspects of the psychological contract were evaluated: content (employer and employee obligations), perceived fulfilment and the state of the psychological contract. For *employer obligations*, three dimensions are covered by the scale, namely transactional aspects, career prospects and chance to influence decision-making. Employer obligations were measured by means of 15 items (e.g. “Has your organisation promised or committed itself to provide you with interesting work”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003). *Employee obligations* (one dimension) were measured using 16 items (e.g. “Have you promised or committed yourself to show loyalty to the organisation”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson et al., 2003). For *state of the psychological contract*, two dimensions are covered by the scale, namely trust in management and justice. State of the psychological contract was evaluated using seven items (e.g. “Do you feel you are fairly paid for the work you do”). The items are scored on a five-point frequency-rating scale ranging from 1 = “not at all” to 5 = “totally”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003).

Intention to leave. Intention to leave was measured using four items (e.g. “These days, I often feel like quitting”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Isaksson, 2006). Walters (2008) confirmed reliability in a South African population with a Cronbach’s alpha coefficient of $\alpha = .93$

Employee well-being. Employee well-being was measured on five scales: job satisfaction, satisfaction with life, mood (affective well-being), positive work-home interference, and irritation. *Job satisfaction* was measured using four items (e.g. “I find enjoyment in my work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Isaksson, 2006). *Satisfaction with life* is measured using six items (e.g. “How satisfied do you currently feel about your life in general”). The items are scored on a seven-point frequency-rating scale ranging from 1 = “very dissatisfied” to 7 = “very satisfied”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson, 2006). For *affective well-being*, two dimensions are covered by the scale, namely work-related depression and work-related anxiety. Affective well-being was measured using 10 items (“In the past few weeks, how often have you felt uneasy regarding your work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$ and $.83$; Isaksson, 2006). *Positive work-home interference* was measured using three items (e.g. “How often does it happen that you manage your time at home more efficiently as a result of the way you do your job”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .83$; Isaksson, 2006). *Irritation* was measured using eight items (e.g. “I get angry quickly”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .86$; Isaksson, 2006).

Analytic approach

The statistical analyses were carried out by means of the IBM SPSS (IBM SPSS Inc., 2011) and the IBM SPSS Amos programmes (IBM SPSS Inc., 2011). Descriptive statistics (i.e. means, standard deviations, skewness and kurtosis) and inferential statistics (i.e. correlations and structural equation modelling) were used to analyse the data. The confidence interval level for statistical significance was set at a value of 90% ($p \leq .10$) for confirmatory factor analysis and at a value of 99% ($p \leq .01$) for correlations. Pearson product-moment correlation coefficients were used to specify the relationships between the variables. Effect sizes were used to determine the practical significance of the results (Steyn, 2002). A cut-off point of $.30$

(medium effect) and .50 (large effect) was set for practical significance of the correlation coefficients (Cohen, 1977).

Anderson and Gerbing (1988) and Kline (2010) suggest a two-step model building approach to structural equation modelling (SEM). Firstly, to test the factorial validity of the three measurements, three measurement models were tested using confirmatory factor analyses (CFA). Schumacker and Lomax (2004) explain that CFA assesses the extent to which observed indicators (items) reflect the hypothesised structure of the underlying latent constructs (factors). Once the constructs have met the required measurement standards, the relationship between the constructs can be estimated and this leads to the second step where the structural model is tested to investigate the strength and direction of the relationship between the theoretical constructs (Zarmpou, Saprikis, Markos, & Vlachopoulou, 2012). The measurement models were validated by obtaining estimates of the parameters of the models and by determining whether the model itself provides a good fit to the data (Byrne, 2010). The structural model was evaluated next, to test the hypotheses. The independent variable (state of the psychological contract) and the mediating variable (employee well-being) were each represented by one indicator respectively, namely the average score. The hypothesised partial mediation model included direct paths between the state of the psychological contract, employee well-being, and intention to leave. This is in line with the four steps suggested by Baron and Kenny (1986). All three factors were allowed to correlate.

Model fits in both CFA and SEM may be assessed through a number of parameter examinations, a chi-squared test of model fit, and various goodness-of-fit indices: Root Means Square Error of Approximation (RMSEA), the Comparative Fit Index (CFI), and the Tucker-Lewis Index (TLI). A non-significant chi-square statistic indicates that the hypothesised model shows a good fit with the sample data. The chi-square statistic, however, is too strict and is greatly influenced by the size of the sample. The general guideline for RMSEA is that values of .05 and smaller indicate a good fit of the model. CFI and TLI values of .95 show an excellent fit. However, RMSEA values of .08 and smaller, in combination with CFI and TLI values larger than .90, show acceptable model fit (Byrne, 2010). The mediational role of employee well-being in the associations of state of the psychological contract and employees' intention to leave was more formally examined through a series of Sobel tests.

RESULTS

Descriptive statistics and product-moment correlations are reported in Table 1. It is evident from Table 1 that most of the measurements of the questionnaire have relatively normal distributions, with skewness and kurtosis within the +1 and -1 range. Only employee obligations showed negative skewness and high kurtosis. Overall the Cronbach's alpha coefficients are acceptable, considering the $\alpha \geq .70$ guideline (Nunnally & Bernstein, 1994).

TABLE 1
Descriptive statistics and correlations

	M	SD	Skew- ness	Kur- tosis	α	1	2	3	4	5	6	7	8
1. Employer Obligations	3.16	0.97	-0.20	-0.67	0.94								
2. Employee Obligations	4.32	0.61	-1.92 [†]	6.00 [†]	0.93	.29*							
3. State of the psychological contract	2.65	1.09	0.35	-0.72	0.90	.65 ⁺⁺	.17*						
4. Intention to leave	2.62	1.17	0.32	-0.92	0.88	-.50 ⁺⁺	-.11	-.56 ⁺⁺					
5. Job Satisfaction	3.56	0.93	-0.41	-0.31	0.78	.53 ⁺⁺	.21*	.53 ⁺⁺	-.58 ⁺⁺				
6. Satisfaction with life	4.88	1.36	-0.73	0.01	0.83	.31 ⁺	.12	.40 ⁺	-.31 ⁺	.39 ⁺			
7. Affective well-being	3.32	0.74	-0.49	0.47	0.84	.38 ⁺	.09	.41 ⁺	-.49 ⁺	.57 ⁺⁺	.46 ⁺		
8. Positive work-home interference	3.21	0.97	-0.16	-0.59	0.75	.40 ⁺	.18*	.35 ⁺	-.40 ⁺	.48 ⁺	.39 ⁺	.47 ⁺	
9. Irritation	2.78	0.81	0.20	-0.17	0.83	-.29*	-.11	-.25*	.39 ⁺	-.40 ⁺	-.36 ⁺	-.61 ⁺⁺	-.41 ⁺

† High skewness and/or kurtosis

* $p \leq .01$ – statistically significant

+ $d > .30$ – practically significant (medium effect)

++ $d > .50$ – practically significant (large effect)

Pearson product-moment correlation coefficients were used to determine the strength of the relationship between all variables. Due to the negative skewness and high kurtosis of employee obligations, Spearman correlations were calculated. All the relationships were in the expected direction. Employer obligations showed a statistically significant correlation with employee obligations. State of the psychological contract and employer obligations

showed a practically significant correlation with a large effect size. Intention to leave showed a negatively and practically significant correlation with both employer obligations and state of the psychological contract, with a large effect size. Job satisfaction showed a positively and practically significant correlation with employer obligations and state of the psychological contract and a negatively and practically significant correlation with intention to leave, with a large effect size. Affective well-being showed a positively and practically significant correlation with job satisfaction and a negatively and practically significant correlation with irritation, with a large effect.

Measurement model

To test the convergent validity of the latent factors, three measurement models were estimated: *State of the psychological contract* (employer and employee obligations and state of the psychological contract); *employee well-being* (job satisfaction, affective well-being, satisfaction with life, irritation and positive work-home interference); and *intention to leave*. All model solutions converged properly and all parameters were plausible. Table 2 reports the summarised CFA results for each of the measurements.

TABLE 2
Confirmatory factor analyses (CFAs)

Scale	X ²	Df	RMSEA	CFI	TLI
Psychological contract state (PCS)	1431.46	662	.07	.84	.82
Employee well-being (EWB)	1106.76	424	.08	.77	.73
Intention to leave (ITL)	1.59	2	.00	1.00	1.00

The CFAs yielded a weak but acceptable fit and it was decided to continue with testing the hypothesised relationships based on these measurements.

Structural model

The mediation model tested whether the five dimensions of employee well-being partially mediated the relationship between the three dimensions of the state of the psychological

contract and intention to leave. State of the psychological contract was positively related to employee well-being (standardised coefficient = .72, $p < .001$), employee well-being was negatively related to intention to leave (standardised coefficient = -0.40, $p < .001$) and state of the psychological contract was negatively related to intention to leave (standardised coefficient = -0.39, $p < .01$). This supports Hypotheses 1a, 1b and 1c.

The hypothesised mediation model, as depicted in Figure 2, provided an adequate fit to the data, $X^2(51) = 127.93$, $p < .001$; RMSEA = .08; CFI = .94; and TLI = .91. The mediational role of employee well-being in the associations of state of the psychological contract and employees' intention to leave was more formally examined through a series of Sobel tests. Sobel tests indicated that employee well-being partially mediated the negative relation of the state of the psychological contract with intention to leave; $z = -4.29$, $p < .001$. Employee well-being explained 39% of the variance in intention to leave. This supports Hypothesis 2.

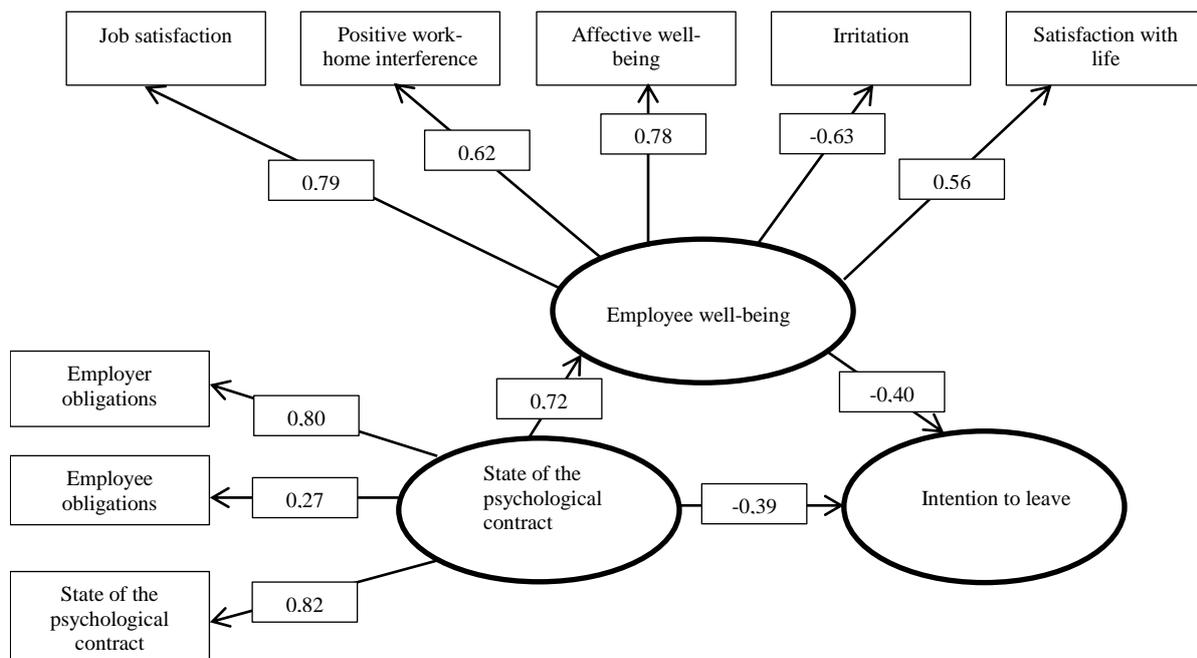


Figure 2. The hypothesised mediation model (standardised path coefficients)

DISCUSSION AND CONCLUSIONS

Main findings

The most important long-term challenge facing any human resource manager in South Africa is to ensure a sustainable supply of human capital (Reichardt, 2011). Talent supply is diminishing globally and South Africa, being ranked lowest in terms of retaining talent on the Global Talent Index, is struggling to retain talent that is lured away by higher ranking countries (Boshard & Louw, 2011). Changing work environments and employment relationships have an impact on employees' subjective experiences (Rothmann & Cilliers, 2007; Schreuder & Coetzee, 2010) and consequently on turnover behaviour (Marah & Murray, 2007; Tyagi & Agrawal, 2010). Therefore, the aim of this research was to describe the process by which the state of the psychological contract influences employee well-being and intention to leave. Such an approach may firstly contribute to existing psychological contract literature. A plethora of studies attested to the predictive validity of the content of the psychological contract regarding employees' work-related attitudes and behaviour (for an overview; see Conway & Briner, 2005, 2009). However, research is lacking on the state of the psychological contract and mediating variables. Secondly, the approach may contribute to research on turnover, and specifically with regard to determining whether the variables have a direct or indirect influence on intention to leave.

Structural equation modelling confirmed the positive relation between the state of the psychological contract and employee well-being, thus confirming Hypothesis 1a. This is in line with previous findings by both Gracia et al. (2007) and Parzefall and Hakanen (2008). The findings can be described by the JD-R model (Bakker et al., 2004; Demerouti et al., 2001), which postulates that job resources act as energisers leading to positive feelings, attitudes and behaviours (Schaufeli & Bakker, 2004). The positive evaluation of the state of the psychological contract is considered a job resource (Parzefall & Hakanen, 2008). Furthermore, findings confirmed the negative relations between the state of the psychological contract and intention to leave and between employee well-being and intention to leave, thus confirming Hypotheses 1b and 1c. According to the SET (Blau, 1989), employees will maintain a relationship if they perceive that there is a mutually beneficial exchange between parties involved. If the employer fulfils its promises and the employees perceive these promises as fair and likely to continue in future, they will concomitantly provide their skills, effort and commitment to the employer (Meyer & Allen, 1997). Several researchers also

established the positive relationship between psychological contract breach and intention to leave (CIPD, 2010; Collins, 2010; Zhao et al., 2007). Dewe and Kompier (2010) also pointed out that negative well-being outcomes result in intention to leave.

According to the AET (Weiss & Cropanzano, 1996), a negative workplace event triggers negative emotions which prevent rational interpretation of events. These negative emotions manifest as negative job attitudes (Thoresen et al., 2003) and according to the planned behaviour theory, attitudes predict subsequent behaviour (Zhao et al., 2007). Psychological contract breach (absence of fulfilment) leads to negative emotions (Zhao et al., 2007) which in turn may lead to intention to leave and turnover behaviour. The current mediation results indicate that a positive evaluation of the psychological contract lead to positive emotions and job attitudes and ultimately lowers the employee's intention to leave. The mediation results were confirmed by Sobel tests that indicate a significant indirect relationship, confirming Hypothesis 2. This is in line with findings of several previous studies (Amstrong-Stassen et al., 1994; Firth et al., 2004; Igarria & Greenhaus, 1992) which also found an indirect relationship between employees' intention to leave and job stressors, such as an unfulfilled psychological contract.

The study makes several contributions to literature in this area. Firstly, the concept of the psychological contract has been extended to include fairness and trust. We concentrated on the predictive ability of the state of the psychological contract, including fulfilment, in relation to individual outcomes. The majority of research has focused on the content of the psychological contract (Conway & Briner, 2005, 2009; Gracia et al., 2007) and the antecedents and consequences of fulfilment or breach (Conway & Briner, 2005, 2009). Studies conducted by Conway and Briner (2002) and Lambert, Edwards, and Cable (2003) suggest that breach and fulfilment may have quite different effects on outcomes. Conway and Briner (2009) argue that fulfilment should be treated as a separate construct, beyond being the mere opposite of breach. This study contributes to research by exploring different dimensions of the psychological contract (content, trust and fairness) and its ability to predict individual outcomes. It also enhances understanding of the unique explanatory power of fulfilment.

Secondly, employee well-being proved to be a valid mediator in the relationship between the state of the psychological contract and intention to leave. The research contributes toward the investigation of mediating variables in psychological contract research, with less focus on content but more on processes. Thirdly, this research assists with identifying predictors of intention to leave and with identifying whether these predictors have a direct or indirect effect

on outcomes. Although we are aware that intentions are accurate predictors of behaviour, we still do not know what determines such intentions (Firth et al., 2004). The study contributes to the bulk of research on turnover by determining the impact of job stressors (negative evaluation of the state of the psychological contract) on employees' intention to leave, and more specifically on mediating factors that predict intention to leave. As such, it supports previous studies that established an indirect effect.

Limitations and future studies

Several limitations of this study should be taken into account when the current results are interpreted. Possibly the most limiting factor in this study was the cross-sectional design; by implication no causal inferences may be drawn. Reversed causation between employee well-being and intention to leave or reciprocal relations may occur. However, the predictions are in line with theoretical arguments and findings of previous empirical studies. Therefore, we encourage future studies to apply longitudinal designs to gain further understanding of the explanatory power of the state of the psychological contract and employee well-being as a mediator. Longitudinal studies will also enable us to understand whether it is the content as such that influences employee well-being and intention to leave, or whether outcome variables are influenced by change in content.

Self-report surveys from employees were the only source of information about predictor and outcome variables. Common method variance in which correlations between predictors and outcome variables are inflated is a likely consequence when only one source is used to obtain data (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). In this study, employees' perception regarding concepts like state of the psychological contract, employee well-being and intention to leave were evaluated and therefore self-reports are deemed appropriate to measure these concepts (Rousseau, 1995; Freese & Schalk, 2008). According to Podsakoff et al. (2003), most of the potential risks can be reduced by designing the questionnaire carefully, for example by changing the response format, ensuring anonymity, and encouraging participants' openness: we paid attention to these factors. Due to the relatively small sample size, the geographic restriction of the study population and the sampling procedure, there are possible limitations to the generalisability of the findings. Even though the aim of the study was to establish relationships between the variables under study, future studies should include a larger and wider variety of subjects; replication of the study in other regions may produce different results due to contextual differences. Demographic variables were not included as

control variables in the regression analysis. This presents a serious limitation, as other dispositional factors may relate to intention to leave, such as level of education or income, age or race.

Future research should pay more attention to the model of the psychological contract as conceptualised by David Guest and his colleagues (Guest, 1998; Guest & Conway, 2002). Employees' perception of the fairness and trust associated with the fulfilment of the psychological contract proves to be useful in predicting individual outcomes such as well-being, attitudes and behaviour. Future research could also include organisational outcomes. Even though the hypothesised model showed an acceptable fit with the data, future research could focus on improving the fit. The mediating role of employee well-being should be explored along with other mediating variables in the prediction of employees' intention to leave the organisation. In this model, only push factors were considered. Research should also focus on factors that can pull an employee from an organisation. Berntson and Marklund (2007) identify employees' perception of the ease with which they can move (commonly referred to as employability) as one such pull factor. A more complex and dynamic model to determine the effects of the push and pull factors could be investigated in future research.

Implications for management

Despite the limitations of the study, the current results have several practical implications for organisations. The results highlight the push factors, which should be the focus of interventions. If the factors that motivate employees to leave are determined, it may be possible to improve retention programmes (Fakunmoju, Woodruff, Kim, LeFevre, & Hong, 2010). Although organisations may not be able to influence the external pull factors, they are able to influence the internal push factors (Maertz & Campion, 2004). Mobley (1982a) argues that regular evaluation of employees' intention to leave provides important forecasting and diagnostic information to management. Retention programmes can then be designed in such a way that they become more proactive (Pienaar, Sieberhagen, & Mostert, 2007). Effective retention programmes can prevent the negative outcomes associated with turnover. Turnover can influence the performance of a business considerably by increasing training and recruitment expenses, lowering levels of employee morale, decreasing job satisfaction, creating the perception of a decrease in service/product quality among customers (Cho et al., 2009) and the loss of tacit knowledge (Shahnawaz & Jafri, 2009). Mowday et al. (1982) also highlighted the negative impact of non-committed employees on the image of an

organisation. These employees might portray the organisation as a bad employer, inhibiting the organisation from attracting talented employees. Mobley highlighted the benefits of retaining employees for the company, including the prevention of costs (training and replacement), productivity losses, and demoralisation of “stayers” as well as maintaining effective service delivery and social networks (Mobley, 1982a, 1982b).

The study also creates awareness among managers regarding the issues of concern to employees and the impact of these issues on their well-being. Organisations shape employees’ psychological contract in three ways: through their human agents, such as managers who communicate messages to the employees; through policies and practices (especially human resources practices); and through employment contracts. Therefore, organisations play an important role in shaping employees’ perception of the state of employees’ psychological contracts (Conway & Briner, 2009). The mediational effects explain the process through which managers are able to understand employees’ behaviours in an unpredictable work environment. The unique relationship between the three variables, namely the state of the psychological contract, employee well-being and intention to leave, suggests that employees believe that the organisation intends to support them by fulfilling their promises in a fair way. This, in turn, can lower their intention to leave. Although this study suggests that the fulfilment of promises lowers intention to leave, this may be an indirect result. Turnley and Feldman (1998, 1999) and Edwards, Rust, McKinley, and Moon (2003) maintain that in the event of changes in the workplace, the psychological contract also changes and has the potential to be breached or violated. If this impacts on employees’ well-being, employees will inevitably either resist the change or behave in a way that is potentially destructive to the organisation (Sharpe, 2002). Guest and Conway (2004) and Tyagi and Agrawal (2010) report that this can only be resolved by managing the changing employment relationship in such a way that the organisation is regarded as a good employer. Organisations will not be able to fulfil every single promise made to an employee (Rousseau, 1995): in such instances where a promise cannot be fulfilled, organisations should provide reasons for breach and compensate for the perceived loss in other ways (Morrison & Robinson, 1997).

According to Handley, Sturdy, Fincham, and Clark (2006), managers can improve trust by providing recognition, being sensitive to subordinates’ needs and concerns and creating effective communication channels. Special attention should be paid to the way managers communicate messages as well as to the content of these messages. Firth et al. (2004) suggest that organisations develop strategies to manage and ventilate feelings of dissatisfaction. Tyagi

and Agrawal (2010) recommend that organisational practices and policies, especially human resource practices, should be carefully designed and implemented with the aim of preventing psychological contract breach, which is an important source of employee dissatisfaction and distrust, intentions to leave and consequently turnover, especially in times of change. Guchait and Cho (2010) identifies eight human resource management practices in particular that lower intention to leave: training, performance appraisal, rewards, benefits, working conditions, equal employment opportunities, and information sharing. In view of this, our findings clearly suggest that organisations are able to control voluntary turnover by increasing employee well-being and by ensuring fairness in fulfilling promises.

Knowledge of the determinants of intention to leave is also of importance to individuals (Firth et al., 2004). High intention to leave may result in withdrawal from the organisation (Hayes et al., 2006; Rosse & Hulin, 1985) which manifests in the form of lateness, absenteeism, avoidance and poor performance (Hayes et al., 2006; Rosse & Hulin, 1985; Nonis, Sager, & Kumar, 1996). This might results in disciplinary action instituted against the employee and possible dismissal. Mobley (1982a, 1982b) summarised these consequences for the individual: as being loss of (possible) promotion and other fringe benefits, the high cost of relocating, loss of support and social networks, the strain associated with a new job, and disruption of the spouse's career. Coyle-Shapiro and Shore (2007) encourage studies (such as this one) that seek to investigate the employee-organisation relationship in such a way that it improves the lives of employees since the primary objective of human resource management is to balance employee and management needs. However, most studies in industrial or organisational research focus on helping management.

Conclusion

In this study, the state of the psychological contract was associated with employee well-being and intention to leave. In addition, an indirect link was also established between the state of the psychological contract and intention to leave. These results indicate that in order to retain employees, organisations should strive to fulfil employees' psychological contracts and ensure that this is done in a fair manner. Alternatively, pull factors should be identified and organisations should design programmes to enhance employee well-being.

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CHAPTER 3

RESEARCH ARTICLE 2

EMPLOYEE WELL-BEING, INTENTION TO LEAVE AND PERCEIVED EMPLOYABILITY: A PSYCHOLOGICAL CONTRACT APPROACH

ABSTRACT

The contemporary work environment is characterised by job insecurity with a potentially negative influence on employees' well-being and their commitment to organisations. Employability emerged as a "new psychological contract" that may have beneficial effects on individual as well as organisational outcomes. Due to the assumed positive relationship between perceived employability and performance, organisations need to find a way to retain employable employees. The study aimed to investigate the relationship that perceived employability has with employee well-being and employees' intention to leave, respectively. The role of the state of the psychological contract in terms of retaining employable employees whilst improving their well-being was also investigated. Cross-sectional data was obtained from employees representing various organisations (N = 246). Contrary to expectations, structural equation modelling (SEM) indicated no significant relationship between perceived employability and well-being. Perceived employability was a significant predictor of employees' intention to leave the organisation. Results also indicated that the state of the psychological contract does not moderate the relationship between perceived employability and employee well-being and their intention to leave, respectively. The study stresses the importance of fulfilling promises made to employees; ensuring that promises are fair; and continuing to fulfil promises as well as designing individual-level interventions to enhance well-being in the workplace.

Keywords: Employability, employee well-being, intention to leave, psychological contract

INTRODUCTION

In view of today's turbulent work environment there has been a revived interest in employability research and there is an appreciation of its importance for the well-being of the individual as well as the success of the organisation (Cordery, Sevastos, Mueller, & Parker, 1993; Fugate, Kinicki, & Ashforth, 2004; Van Dam, 2004; Wittekind, Raeder, & Grote, 2010). Currently individuals are faced with a more turbulent work environment, where lifelong career opportunities within one organisation cannot be guaranteed, which may increase feelings of job insecurity (Bagshaw, 1997; Benson, 2006; Berntson, Sverke, & Marklund, 2006; Hiltrop, 1995; Roskies & Louis-Guerin, 1990; Tyagi & Agrawal, 2010). Employability is a concept that emerged in the 1990s in response to employees' perceptions that they cannot count on their employer to ensure job security (Baruch, 2001). Job security is being replaced with employability security, which means that employees derive security from being employable (Bagshaw, 1997; Forrier & Sels, 2003a; Kanter, 1989). According to Elman and O'Rand (2002) and De Grip, Van Loo, and Sanders (2004), highly employable employees may be top performers.

This paradox raises the question as to how organisations can reduce the likelihood of undesirable turnover whilst utilising employability to boost employee well-being and organisational performance (De Cuyper, Van der Heiden, & De Witte, 2011). The psychological contract might provide a possible answer to the above question. De Cuyper, Van der Heijden et al. (2011) argue that employability will relate to favourable individual and organisational outcomes if employees perceive their psychological contracts as fair. They base this assumption on the notion of "contract replicability". Ng and Feldman (2008) demonstrated that employees will remain with a particular organisation if they believe that the psychological contract will not be replicated in another organisation and employees will simultaneously experience more job and life satisfaction.

Despite the increased interest in employability, there are several gaps in research. Rothwell, Jewell, and Hardie (2009) advocate for a focus on what employability actually means to employees in the context of their experiences, their aspirations and their perceptions of their ability to compete in the external labour market. De Cuyper, Van der Heijden et al. (2011) and Nauta, Van Vianen, Van der Heijden, Van Dam, and Willemsen (2009) are of the opinion that very few empirical studies have proved the relationship between employability and intention to leave. Berntson and Marklund (2007) also point out that little research has

been carried out with a specific focus on the influence of employability on employee health and well-being – this is confirmed by De Cuyper, Bernhard-Oetell, Berntson, De Witte, and Alarco (2008) as well as De Cuyper, Mauno, Kinnunen, and Mäkikangas (2011). Existing research on employability for employed individuals also tends to focus on objective rather than subjective (perceived) employability (Kluytmans & Ott, 1999). This study also aims to extend previous research by De Cuyper, Van der Heijden et al. (2011), in which only psychological contract entitlements (promises) were investigated, in other words psychological contract content, by focusing on the state of the psychological contract. Guest (1998) describes the state of the psychological contract as an important precursor of employee behaviour and attitudes, beyond the variance explained by the content of the psychological contract.

The objectives of this paper were 1) to investigate the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave and 2) to determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being and negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees. The objectives were achieved by reviewing existing literature on the relationship between the state of the psychological contract, perceived employability, employee well-being and intention to leave. Thereafter the results of the empirical study will be discussed.

THEORY AND HYPOTHESES

The relationship between perceived employability, employee well-being and intention to leave

Employability is defined by Van der Heijde and Van der Heijden (2006) as “the continuous fulfilling, acquiring, or creating of work through the optimal use of one’s competences” (p. 453). Perceived employability is defined as an employee’s perception of the possibilities to find a new and similar job (Berntson et al., 2006; Berntson & Marklund, 2007) with the current employer or another organisation (De Cuyper, Van der Heijden et al., 2011). This definition is consistent with more general definitions and it adopts a more subjective approach by focusing on the employee’s perception (De Cuyper, Van der Heijden et al., 2011). During periods of major change in organisations the employee’s perception of

employability matters more than the objective employability (Berntson et al., 2006). Likewise, if an employee perceives him- or herself as mobile within or outside the current organisation, employability should lead to good health. It enables employees to move around in order to find a better work environment and even if they do not change jobs it gives them a sense of being able to cope with current circumstances, a privilege that low-employability employees may not have (Berntson & Marklund, 2007).

Employability is also indicative of the new psychological contract that exists between employees and employers (Atkinson, 2002; Bagshaw, 1997; Hallier, 2009; Hiltrop, 1995; Kluytman & Ott, 1999; Sullivan, 1999). Coyle-Shapiro and Neuman (2004) and Rousseau (2001), for example, maintain that employability management implies a new mutual psychological contract, a responsibility that Van der Heijden and Bakker (2011) ascribe to both employees and employers. Highly employable employees feel that they are capable of dealing with current and future developments, including the changes in the psychological contract, and this will likely promote their well-being (De Cuyper et al., 2008). Fugate et al. (2004) and Marler, Barringer, and Milkovich (2002) portray employability as an important individual resource in the work context, enhancing an individual's perceived control over his/her career. According to De Cuyper, Van der Heijden et al. (2011), it relates positively to employee well-being, in line with the Job Demands-Resources (JD-R) model.

The JD-R model postulates that job resources are the physical, psychological, social or organisational aspects that support the employee in performing effectively (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004). Schaufeli and Bakker (2004) observe that ample job resources enable the employee to deal with demands of the job, and that they thus act as energisers leading to positive attitudes, behaviour and feelings at work. Job resources also correlate positively with employee well-being (Hakanen, Schaufeli, & Ahola, 2008). The results of a longitudinal study conducted by Berntson and Marklund (2007) confirmed that perceived employability relates positively to global health and mental well-being, both at the onset of the study and one year later, even if one controls for factors in the work environment. De Cuyper et al. (2008) also found a positive relationship between perceived employability and engagement and life satisfaction, respectively. Employability is thus considered an important coping resource in the work environment (Fugate et al., 2004) and is an important variable to study in the search for determinants of well-being (Berntson & Marklund, 2007). The following hypothesis is proposed:

Hypothesis 1a: There is a positive relationship between perceived employability and employee well-being.

Even though employability can be beneficial, the positive relationship between employability and intention to leave remains a concern for the employer. According to Larson and Fukami (1985), perceived ease of movement is seen as a core predictor of actual turnover. De Cuyper et al. (2008) and Fugate et al. (2004) confirm that perceived ease of movement and by implication perceived employability, motivate employees to explore alternative employment options, which is considered the first step towards intention to leave. An employee's intention to leave the organisation is a strong predictor of actual turnover (Vandenberg & Nelson, 1999). Employable employees are more likely to leave if they are unhappy in their current jobs (Trevor, 2001). Van Vianen, Feij, Krausz, and Taris (2003), identify push and pull as the two motives for turnover. Dissatisfaction with one's current work situation would be a push factor while better opportunities to develop one's career elsewhere would serve as a pull factor. Perceived employability is an example of a pull factor (Nauta et al., 2009).

Turnover of highly employable employees is less desirable due to the positive relationship between employability and performance (Fugate et al., 2004). One benefit of turnover is that it creates the opportunity to employ new staff as a potential source for increased competitiveness, but the loss of high-potential individuals is of concern (Smith & Rutigliano, 2002). In a work environment characterised by feelings of insecurity, employees may feel that their employers cannot guarantee them ongoing employment and they may consequently take charge of the situation by making themselves more employable. Because they cannot rely on the employer, however, they no longer feel loyal towards the organisation and will leave the organisation in pursuit of better opportunities (Benson, 2006; De Cuyper & De Witte, 2008). If employees believe they can leave the organisation without substantial losses they will be more inclined to resign (De Cuyper, Mauno et al., 2011). Researchers have found a positive relationship between perceived employability and intention to leave (Berntson, Näswall, & Sverke, 2010; De Cuyper, Van der Heijden et al., 2011), but De Cuyper, Mauno et al. (2011) point out that this relationship is weak overall and that more research is needed in this regard. The following hypothesis is proposed:

Hypothesis 1b: There is a positive relationship between perceived employability and intention to leave.

The role of the psychological contract in retaining highly employable employees

Employable employees are attractive, not only to their current employers but also to other organisations that are searching for talented employees, and this presents employers with a dilemma (De Grip et al., 2004), especially if employable employees are likely to leave their organisations. In light of the inability of organisations to guarantee job security, alternative measures - like improving employees' skills and therefore their marketability – will reduce the uncertainty of finding alternative employment (Galunic & Anderson, 2000). Furthermore, employees regard employability as a promise by the employer (Craig, Kimberly, & Bouchikhi, 2002; Waterman, Waterman, & Collard, 1994). A promise made by the employer is generally referred to as the content of the psychological contract (CIPD, 2006; Rousseau, 1995; Rousseau & Tijoriwala, 1998). Therefore, if employability is enhanced by the employer, employees perceive it as a fulfilment of the psychological contract (De Cuyper, Van der Heijden et al., 2011) and in turn they will be loyal to the organisation (De Cuyper, Van der Heijden et al., 2011; Galunic & Anderson, 2000). According to the Social Exchange Theory (SET), individuals will establish and maintain a relationship if they perceive this relationship as mutually beneficial. Individuals therefore enter into a relationship if they expect benefits to be exchanged irrespectively of normative obligations (Zafirovsky, 2005).

Employees who are treated with fairness and respect display more commitment to the organisation (CIPD, 2010). In any relationship where promises are kept, satisfaction and desire to stay in the relationship will likely be the consequences (Conway & Briner, 2005). Ng and Feldman (2008) found that employees experienced an enhanced desire to stay in an organisation if they believe that the contract cannot be replicated in another organisation. De Cuyper, Van der Heijden et al. (2011) concluded that the interaction between perceived employability and psychological contract entitlements were significant for job and life satisfaction in the event of few entitlements. The interaction effect was not significant for turnover intention. This study focuses on the state of the psychological contract, expanding the concept of psychological contract content. The state of the psychological contract has broadened the psychological contract construct to include the core elements (trust and fairness) of the traditional employment relationship and focuses less on the promises made and more on delivery (Guest & Conway, 2004). Studies focusing on the evaluation of the state of the psychological contract contribute to explanatory research rather than descriptive research, enabling researchers to predict certain variables related to employees' attitudes,

behaviour and well-being (Gracia, Silla, Peiró, & Fortes-Ferreira, 2007). The following hypotheses are proposed:

Hypothesis 2a: The state of the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being under the conditions of fulfilment, trust and fairness.

Hypothesis 2b: The state of the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates negatively to intention to leave under the conditions of fulfilment, trust and fairness.

The interaction model is depicted below:

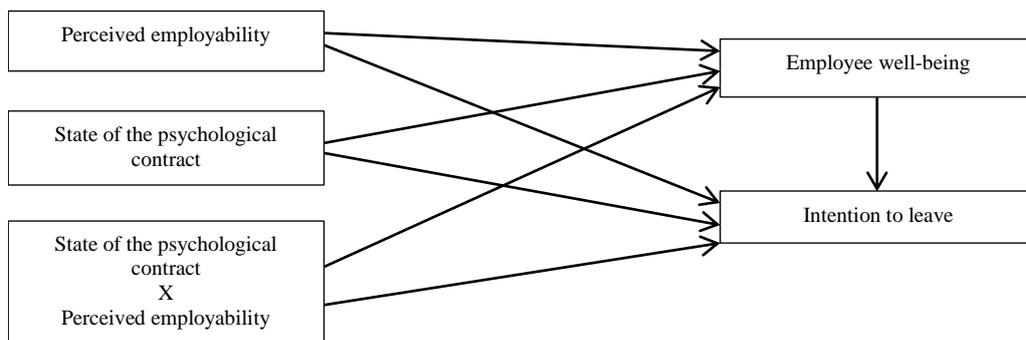


Figure 1. Hypothesised model

RESEARCH DESIGN

Research approach

This study follows a quantitative, cross-sectional research approach. The study is both descriptive and exploratory. Even though the hypotheses are supported by theory, very little is known about the influence of perceived employability on individual outcomes and moderating relationships in the field of employability. Primary data collection was performed and data was analysed by means of a correlational approach.

METHOD

Sample and procedure

A convenience sample comprising 246 respondents completed three measurements of the PSYCONES questionnaire. The majority of the respondents were male ($n = 151$; 61%). 108 (44%) of the respondents had a higher educational background (i.e. education beyond high school level) and 91 (37%) were in possession of a Grade 12 certificate (i.e. education at high school level). Most participants were employed on permanent contracts ($n = 229$; 93%). The mean age of the participants was 39 years ($SD = 10.54$) and their mean organisational tenure was 8 years ($SD = 9.04$).

The data for the study was obtained through a combination of a multi-stage non-probability sampling techniques, being convenience and snowball sampling. In the first stage, participants who were easiest to obtain were asked to complete the questionnaire. Participants were then asked to identify other relevant members of the working population who could participate in the study (Olckers, Buys, & Grobler, 2010; Welman, Kruger, & Mitchell, 2005). The method was repeated until a representative sample of participants completed the questionnaire. The convenience sample consisted of 163 (66%) respondents from a cable manufacturing organisation and the snowball sample consisted of 83 (34%) respondents from various industries in the Gauteng province of South Africa. These employees represented the automotive, engineering, education, finance, media, metals and mining, nursing, police and retail industries.

Measures

Three measurements of the PSYCONES questionnaire (Isaksson et al., 2003) were used to evaluate the state of the psychological contract, employee well-being and turnover intention. The psychological contract measure was developed for the purpose of the Psychological Contracting Across Employment Situations (PSYCONES) project (De Cuyper, Van Der Heijden et al., 2011), based on factor analyses of earlier instruments (Isaksson et al., 2003).

Psychological contract. To determine whether employees had a positive evaluation of their psychological contract, three aspects of the psychological contract were evaluated: content (employer and employee obligations), perceived fulfilment and the state of the psychological contract. For *employer obligations*, three dimensions are covered by the scale,

namely transactional aspects, career prospects and chance to influence decision-making. Employer obligations were measured by means of 15 items (e.g. “Has your organisation promised or committed itself to provide you with interesting work”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003). *Employee obligations* (one dimension) were measured using 16 items (e.g. “Have you promised or committed yourself to show loyalty to the organisation”). The items are scored on a six-point frequency-rating scale ranging from 0 = “No” to 5 = “Yes, and promise fully kept”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson et al., 2003). For *state of the psychological contract*, two dimensions are covered by the scale, namely trust in management and justice. State of the psychological contract was evaluated using seven items (e.g. “Do you feel you are fairly paid for the work you do”). The items are scored on a five-point frequency-rating scale ranging from 1 = “not at all” to 5 = “totally”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .87$; Isaksson et al., 2003).

Intention to leave. Intention to leave was measured using four items (e.g. “These days, I often feel like quitting”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Isaksson, 2006). Walters (2008) confirmed reliability in a South African population with a Cronbach’s alpha coefficient of $\alpha = .93$.

Employee well-being. Employee well-being was measured on five scales: job satisfaction, satisfaction with life, mood (affective well-being), positive work-home interference, and irritation. *Job satisfaction* was measured using four items (e.g. “I find enjoyment in my work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$; Isaksson, 2006). *Satisfaction with life* is measured using six items (e.g. “How satisfied do you currently feel about your life in general”). The items are scored on a seven-point frequency-rating scale ranging from 1 = “very dissatisfied” to 7 = “very satisfied”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .84$; Isaksson, 2006). For *affective well-being*, two dimensions are covered by the scale, namely work-related depression and work-related anxiety. Affective well-being was measured using 10 items (“In the past few weeks, how often have you felt uneasy regarding your

work”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .82$ and $.83$; Isaksson, 2006). *Positive work-home interference* was measured using three items (e.g. “How often does it happen that you manage your time at home more efficiently as a result of the way you do your job”). The items are scored on a five-point frequency-rating scale ranging from 1 = “rarely or never” to 5 = “very often or always”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .83$; Isaksson, 2006). *Irritation* was measured using eight items (e.g. “I get angry quickly”). The items are scored on a five-point frequency-rating scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Cronbach’s alpha coefficients indicated that the scale in general is reliable ($\alpha = .86$; Isaksson, 2006).

Perceived employability. Perceived employability was measured using four items developed by De Witte (1992). It has been applied successfully in different employment settings and countries (Guest, Isaksson, & De Witte 2010). Respondents rate their agreement with the following items: “I am optimistic that I would find another job, if I looked for one”, “I will easily find another job if I lose this job”, “I could easily switch to another employer, if I wanted to”, and “I am confident that I could quickly get a similar job”. All the items are rated on a five-point frequency-scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”. Reliability was high (Cronbach’s $\alpha = .90$, De Cuyper, Van der Heijden et al., 2011).

Analytic approach

The statistical analyses were carried out by means of the IBM SPSS (IBM SPSS Inc., 2011) and the IBM SPSS Amos programmes (IBM SPSS Inc., 2011). Descriptive statistics (i.e. means, standard deviations, skewness and kurtosis) and inferential statistics (i.e. correlations and structural equation modelling) were used to analyse the data. The confidence interval level for statistical significance was set at a value of 90% ($p \leq .10$) for confirmatory factor analysis and 95% ($p \leq .05$) for correlations. Pearson product-moment correlation coefficients were used to specify the relationships between the variables. Effect sizes were used to determine the practical significance of the results (Steyn, 2002). A cut-off point of .30 (medium effect) and .50 (large effect) was set for practical significance of the correlation coefficients (Cohen, 1977).

Anderson and Gerbing (1988) and Kline (2010) suggested a two-step model building approach to structural equation modelling (SEM). Firstly, to test the factorial validity of the four measurements, four measurement models were tested using confirmatory factor analyses (CFA). Schumacker and Lomax (2004) explains that CFA assesses the extent to which observed indicators (items) reflect the hypothesised structure of the underlying latent constructs (factors). After the constructs have met the required measurement standards, the relationship between the constructs can be estimated and this leads to the second step, where the structural model is tested to investigate the strength and direction of the relationship between the theoretical constructs (Zarmpou, Saprikis, Markos, & Vlachopoulou, 2012). The measurement models were validated by obtaining estimates of the parameters of the models and of whether the models itself provide a good fit to the data (Byrne, 2010).

The structural model was evaluated next. Perceived employability and intention to leave were represented by their respective items. The state of the psychological contract, employee well-being and the “perceived employability-state of the psychological contract” interaction were each represented by one indicator, the average score. The hypothesised moderation model included direct paths between perceived employability, the state of the psychological contract, employee well-being, and intention to leave. This is in line with the four steps suggested by Baron and Kenny (1986). All four factors were allowed to correlate. Model fits in both CFA and SEM may be assessed through a number of parameter examinations, a chi-squared test of model fit, and various goodness-of-fit indices: Root Means Square Error of Approximation (RMSEA), the Comparative Fit Index (CFI), and the Tucker-Lewis Index (TLI). A non-significant chi-square statistic indicates that the hypothesised model shows a good fit with the sample data. However, the chi-square statistic is too strict and is greatly influenced by the size of the sample. The general guideline for RMSEA is that values of .05 and smaller indicate a good fit of the model. CFI and TLI values of .95 show an excellent fit. However, RMSEA values of .08 and smaller, in combination with CFI and TLI values larger than .90, show acceptable model fit (Byrne, 2010).

RESULTS

Descriptive statistics and product-moment correlations are reported in Table 1. It is evident from Table 1 that most of the measurements of the questionnaire have relatively normal distributions, with skewness and kurtosis within the +1 and -1 range. Only employee

obligations showed negative skewness and high kurtosis. Overall the Cronbach's alpha coefficients are acceptable, considering the $\alpha \geq .70$ guideline (Nunnally & Bernstein, 1994).

TABLE 1
Descriptive statistics and correlations

		M	SD	Skew- ness	Kur- tosis	<i>A</i>	1	2	3	4	5	6	7	8	9
10.	Employer Obligations	3.16	0.97	-0.20	-0.67	0.94									
11.	Employee Obligations	4.32	0.61	-1.92 [†]	6.00 [†]	0.93	.29**								
12.	State of the psychological contract	2.65	1.09	0.35	-0.72	0.90	.65++	.17**							
13.	Intention to leave	2.62	1.17	0.32	-0.92	0.88	-	-.11	-						
							.50++		.56++						
14.	Job Satisfaction	3.56	0.93	-0.41	-0.31	0.78	.53++	.21**	.53++	-					
										.58++					
15.	Satisfaction with life	4.88	1.36	-0.73	0.01	0.83	.31+	.12	.40+	-.31+	.39+				
16.	Affective well-being	3.32	0.74	-0.49	0.47	0.84	.38+	.09	.41+	-.49+	.57++	.46+			
17.	Positive work-home interference	3.21	0.97	-0.16	-0.59	0.75	.40+	.18**	.35+	-.40+	.48+	.39+	.47+		
18.	Irritation	2.78	0.81	0.20	-0.17	0.83	-	-.11	-	.39+	-.40+	-.36+	-	-.41+	
							.29**		.25**				.61++		
19.	Perceived employability	3.27	1.00	-0.24	-0.36	0.87	-.13*	.02	.06	.20**	.01	.09	.12	.00	.06

† High skewness and/or kurtosis

* $p \leq .05$

** $p \leq .01$

+ $d > .30$ – practically significant (medium effect)

++ $d > .50$ – practically significant (large effect)

Pearson product-moment correlation coefficients were used to determine the strength of the relationship between all variables. Due to the negative skewness and high kurtosis of employee obligations, Spearman correlations were calculated. All the relationships were in the expected direction. Employer obligations showed a statistically significant correlation with employee obligations and a statistically and practically significant negative relationship

with the state of the psychological contract. Employee obligations did not show statistically significant correlations with intention to leave and neither with three of the well-being variables, namely satisfaction with life, affective well-being and irritation. Intention to leave showed a negative and practically significant negative correlation with both employer obligations and state of the psychological contract, with a large effect size. Intention to leave also showed statistically and practically significant negative correlations with all the well-being indicators. Each of the well-being indicators showed statistically and practically significant correlations with other well-being indicators, respectively. Job satisfaction showed a positively and practically significant correlation with employer obligations and state of the psychological contract. Affective well-being showed a positive and practically significant correlation with job satisfaction and a negative and practically significant correlation with irritation with a large effect size. Perceived employability was only statistically significant related to employer obligations and intention to leave, but the correlations were not practically significant.

Measurement model

To test the convergent validity of the latent factors, four measurement models were estimated: *State of the psychological contract* (employer and employee obligations and state of the psychological contract); *employee well-being* (job satisfaction, affective well-being, satisfaction with life, irritation and positive work-home interference); *intention to leave*; and *perceived employability*. All model solutions converged properly and all parameters were plausible. Table 2 reports the summarised CFA results for each of the measurements.

TABLE 2
Confirmatory factor analyses (CFAs)

Scale	X ²	Df	RMSEA	CFI	TLI
Psychological contract state (PCS)	1431.46	662	.07	.84	.82
Employee well-being (EWB)	1106.76	424	.08	.77	.73
Intention to leave (ITL)	1.59	2	.00	1.00	1.00
Perceived employability	1.31	2	.00	1.00	1.01

Structural model

The moderation model, as depicted in Figure 2, evaluated whether the state of the psychological contract moderated the relationship between perceived employability and employee well-being and employees' intention to leave, respectively.

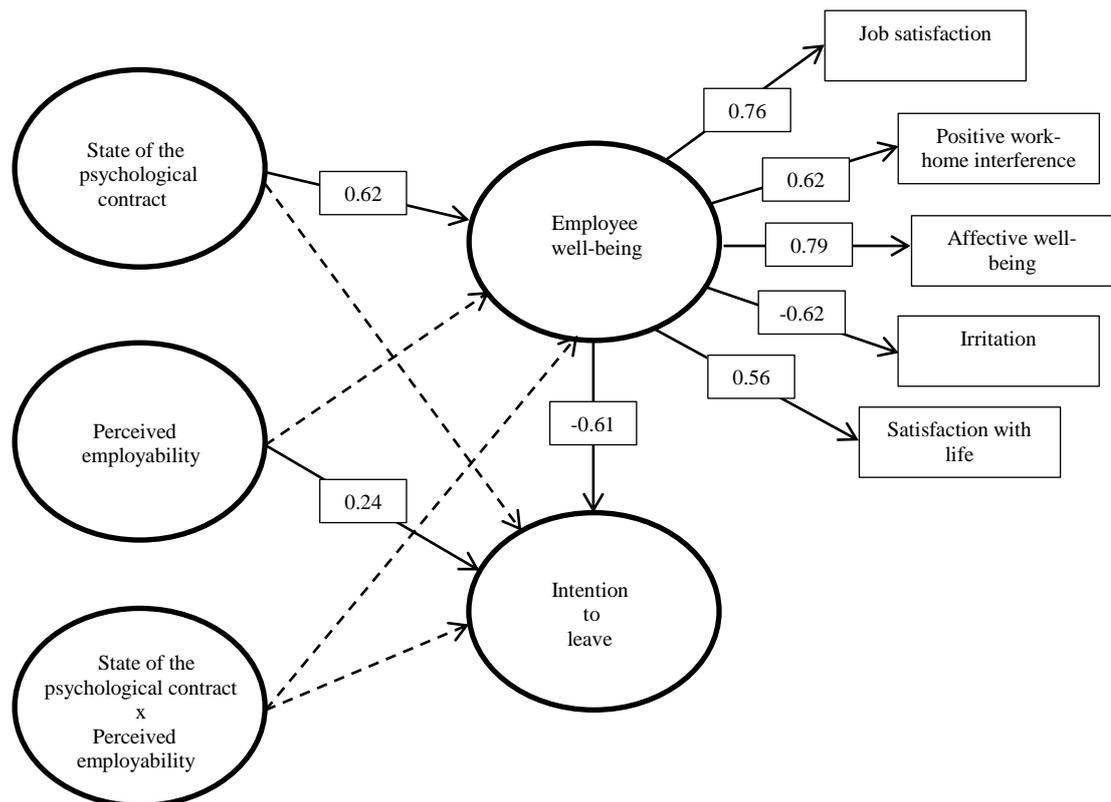


Figure 2. The hypothesised moderation model (standardised path coefficients). Dashed lines refer to non-significant relationships.

The first hypothesis was concerned with possible main effects of perceived employability. The moderation model indicated that contrary to Hypothesis 1a, perceived employability did not add to predicting employee well-being (standardised coefficient = .07, $p > .10$). Consistent with Hypothesis 1b, perceived employability significantly predicted intention to leave (standardised coefficient = .24, $p < .001$). Finally, the interaction term between perceived employability and the state of the psychological contract did not significantly predict employee well-being (standardised coefficient = -.004, $p > .10$) or intention to leave

(standardised coefficient = $-.04$, $p > .10$). Hypotheses 2a and 2b were not supported. The hypothesised moderation model, as depicted in Figure 2, provided an adequate fit to the data, $X^2(47) = 119.13$, $p < .001$; RMSEA = $.08$; CFI = $.94$; and TLI = $.90$. Although it was not hypothesised in this study, it is important to note that the state of the psychological contract did not significantly predict employees' intention to leave (standardised coefficient = $-.14$, $p > .05$); however, the relationship was fully mediated by employee well-being (standardised coefficient = $-.61$, $p < .001$).

DISCUSSION AND CONCLUSIONS

Main findings

Various researchers have indicated the need for exploring the consequences of employability for both employees and the organisation (De Cuyper et al., 2008; Fugate et al., 2004; Wittekind et al., 2010). It is believed that employability benefits the employee (Berntson & Marklund, 2007; De Vries, Gründemann, & Van Vuuren, 2001) and it is relevant in the context of job insecurity (Brown, Hesketh, & Williams, 2003; De Vries et al., 2001). Wittekind et al. (2010) stress the importance of exploring the influence of employability on employee well-being and organisational outcomes (turnover) in order to determine the benefits. According to De Cuyper et al. (2008) the conditions under which moderation mechanisms occur should also be explored. Therefore, the aim of this research was to investigate the predictive ability of perceived employability in terms of employee well-being and intention to leave. This will contribute to the existing body of research on perceived employability, employee well-being and intention to leave. Even though empirical studies have been done, the research is limited (De Cuyper, Van der Heijden et al., 2011; Wittekind et al., 2010). The second aim of the research was to determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being and negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees. Previous research was extended by evaluating a comprehensive structural equation model which provides simultaneous testing of the complicated relationship between perceived employability, employee well-being and intention to leave as well as the state of the psychological contract. This will also contribute to psychological contract research.

Contrary to what was expected, structural equation modelling indicated that perceived employability is not significantly related to employee well-being. Silla, De Cuyper, Gracia, Peiró, and De Witte (2009) also found that perceived employability was not significantly related to employee well-being (psychological distress and life satisfaction). De Cuyper, Van der Heijden et al. (2011) also concluded that perceived employability is not significantly related to job satisfaction. A possible explanation for this is that employees still rely on job security (Silla et al., 2009), as was confirmed by the statistically significant relationship in the structural model between the state of the psychological contract and employee well-being. The majority of the participants were permanent workers and according to Millward and Brewerton (2000), permanent employees have a different view of the psychological contract than temporary workers. De Cuyper and De Witte (2006, 2007) are of the opinion that permanent workers still expect a secure job in return for loyalty whilst job insecurity is the norm for temporary workers. In other words, perceived employability may predict employee well-being in the case of “boundaryless careers” (Forrier & Sels, 2003b; Kluytmans & Ott, 1999; Rajan, 1997), which is more likely to be the reality for temporary employees. The human capital theory postulates that employability may be one way for individuals to improve their attractiveness for potential employers (Berntson et al., 2006), serving as a coping mechanism for temporary employees. De Cuyper, Van der Heijden et al. (2011) stated that employee well-being may depend on conditions that are currently specific to the job and may not be dependent on what employees believe about their future job opportunities or issues related to the career, the labour market or their potential.

Structural equation modelling confirmed the positive relationship between perceived employability and an employee’s intention to leave the organisation. Previous studies also found a significant positive relationship (De Cuyper, Van der Heijden et al., 2011). Van Vianen et al. (2003) describe push and pull as the two motives for leaving an organisation. The results confirmed that perceived employability serves as a pull factor. However, the structural model also indicated that employee well-being is a better predictor of employees’ intention to leave than perceived employability. The findings did not align with Hypothesis 2 either. The state of the psychological contract did not moderate (a) the relationship between perceived employability and employee well-being and (b) the relationship between perceived employability and employees’ intention to leave. The inability of the state of the psychological contract to moderate the relationship between perceived employability and employee well-being might be ascribed to the absence of a significant relationship between

perceived employability and employee well-being, for possible reasons that were explained earlier.

The absence of a moderation effect of the state of the psychological contract between perceived employability and employees' intention to leave suggests that perceived ease of movement will increase employees' intention to leave, regardless of the nature of the relationship between the employer and employee. This conclusion, however, is too simplistic. Results indicated that the psychological contract is an important factor in an employee's intention to leave, indirectly through employee well-being. In the current study, the state of the psychological contract significantly predicted employee well-being. This confirms previous findings of both Gracia et al. (2007) and Parzefall and Hakanen (2008). In turn, employee well-being significantly predicted employees' intention to leave; in line with previous studies (Page & Vella-Brodrick, 2009). According to the Affective Events Theory (AET) (Weiss & Cropanzano, 1996), a negative workplace event triggers negative emotions which prevent rational interpretation of events. These negative emotions manifest as negative job attitudes (Thoresen, Kaplan, Barsky, Warren, & De Chermont, 2003) and according to the planned behaviour theory, attitudes predict subsequent behaviour (Zhao, Wayne, Glibkowski, & Bravo, 2007). Psychological contract breach (absence of fulfilment) gives rise to negative emotions (Zhao et al., 2007), which in turn result in intention to leave and turnover behaviour. Further research is necessary to clarify the relationship between perceived employability and intention to leave and the role of mediators and/or moderators.

The study makes several contributions to literature. Firstly, it adds to the limited number of studies on perceived employability. The relationship between perceived employability and individual outcomes were tested empirically. Previous studies examined the impact of perceived employability on certain well-being indicators for instance job satisfaction (De Cuyper, Van der Heijden et al., 2011), life satisfaction (De Cuyper et al., 2008; De Cuyper, Van der Heijden et al., 2011; Kirves, De Cuyper, Kinnunen, & Nätti, 2011; Silla et al., 2009), psychological distress/mental health (Green, 2011; Silla et al., 2009) and engagement (De Cuyper et al., 2008). This study extended the well-being concept to include job and life satisfaction, affective well-being, positive work-home interference and irritation, thereby also contributing to well-being research. Secondly, while the main contributions of the study fall within the domain of employability research, the research adds to the plethora of studies conducted on the psychological contract. It expanded on De Cuyper, Van der Heijden et al. (2011) by broadening the psychological contract dimension to include fairness and trust. The majority of research has focused on the content of the psychological contract (Conway &

Briner, 2005, 2009; Gracia et al., 2007). Studies focusing on the evaluation of the state of the psychological contract contribute to explanatory research rather than descriptive research, enabling researchers to predict certain variables related to employees' attitudes, behaviour and well-being (Gracia et al., 2007). Thirdly, it contributes to turnover literature, and specifically to studies on individual resources (employability) and their predictive ability in terms of turnover intentions. Although it is known that intentions are accurate predictors of behaviour, it is yet not known what determines such intentions (Firth, Mellor, Moore, & Loquet, 2004). Fourthly, evaluating structural equation models allow the overall evaluation of relationships between variables simultaneously. Consequently, the estimation of the effect of the variables is more accurate than single (hierarchical) regression models (Huang, Lawler, & Lei, 2007).

Limitations and future studies

Several limitations of this study should be taken into account when the current results are interpreted. Perhaps the most limiting factor in this study was the cross-sectional design; by implication no causal inferences may be drawn. Reversed causation may occur; employees' perception of their employability may depend on their well-being (De Cuyper et al., 2008; Kinnunen, Mäkikangas, Mauno, Siponen, & Nätti, 2011). In terms of the "healthy worker effect" (e.g. Virtanen et al., 2005), healthy workers may be more successful in making progress in their careers. However, the predictions correspond with theoretical arguments and findings of previous empirical studies. Therefore, we encourage future studies to apply longitudinal designs to gain further understanding of the explanatory power of perceived employability and to clarify causal relationships between perceived employability and various outcomes. Long-term effects of stressors on well-being may also differ from short-term effects, and therefore a cross-sectional design may result in the underestimation of the influence of a stressor on an outcome variable (Abelson, 1985; Silla et al., 2009; Zapf, Dormann, & Frese, 1996). Longitudinal studies will facilitate an understanding of the relationship between the state of the psychological contract and perceived employability.

Self-report surveys from employees were the only source of information about predictor and outcome variables. Common method variance in which correlations between predictors and outcome variables are inflated is a likely consequence when only one source is used to obtain data (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). In this study, perception of employees regarding concepts like state of the psychological contract, employee well-being,

intention to leave, and employability were evaluated and therefore self-reports are deemed appropriate to measure these concepts (Rousseau, 1995; Freese & Schalk, 2008). According to Podsakoff et al. (2003), most of the potential risks can be reduced by designing the questionnaire carefully (e.g. changes in the response format, anonymity, and encouraging participants' openness), to which we paid attention.

The relatively small sample size, the geographic restriction of the study population and the sampling procedure may limit the generalisability of the findings. Even though the aim of the study was to establish relationships between the variables under study, future studies should include a larger and wider variety of subjects; replication of the study in other regions may produce different results due to contextual differences. Demographic variables were not included as control variables in the regression analysis; this presents a serious limitation as other dispositional factors may relate to employee well-being and intention to leave, such as level of education or income, age or race. The majority of the sample has not obtained a post-school qualification. Berntson et al. (2006) found a positive relationship between educational level and perceived employability and because the majority of the participants were not highly employable according to objective standards, the relationships may appear weaker and/or not significant. Future studies could consider using more employable employees (De Cuyper, Van der Heijden et al., 2011). The variance explained by perceived employability was quite low for intention to leave. The study measures perceived employability and intention to leave by means of a small number of items. According to Silla et al. (2009), this may restrict the sample variation, with the result that a small percentage of variance is explained.

A promising route for future research would be to explore the role of employability as a moderator. Researchers started investigating the role of perceived employability as moderator between job stressors and well-being (Büssing, 1999; Kuhnert & Vance, 1992; Mohr, 2000; Silla et al., 2009). Due to the positive relationship between perceived employability and intention to leave, future studies should investigate other factors that may moderate the relationship. De Cuyper, Mauno et al. (2011) concluded the relationship between perceived employability and intention to leave is indirect and that it is important to investigate further moderators and/or mediators.

The hypothesised relationships may also be different in a sample of temporary workers, due to differences in psychological contracts as discussed above. Job insecurity - which is believed to be an integral part of temporary employment - suggests that perceived employability may be more important for these individuals as well as for their well-being

(Berntson, 2008; De Cuyper, Notelaers, & De Witte, 2009; De Cuyper, De Witte, Kinnunen, & Nätti, 2010). Future research could focus on examining the relationship between the variables in a sample of temporary workers, with permanent employees as a reference group. Contract preferences are reported to be an even more important predictor of employees' reactions than contract type (Connelly & Gallagher, 2004; Ellingson, Gruys, & Sackett, 1998; Isaksson & Bellagh, 2002). According to Kinnunen et al. (2011), contract preferences refer to whether an employee's temporary employment is voluntary or involuntary. They also believe that employees occupying temporary positions involuntarily want to be employed permanently by an organisation and therefore their psychological contract may be similar to those of permanent employees (Kinnunen et al., 2011). Future research could investigate the model proposed in this study by taking into account contract type (permanent or temporary) and preferences (voluntary or involuntary) when comparing groups.

Implications for management

Despite the limitations of the study, the current results have several practical implications for organisations. Job insecurity is related to various negative outcomes, both at an individual and organisational level. It has the potential to adversely affect employees' health and well-being and may lead to negative work-related attitudes and behaviour, distrust, decreased productivity, career dissatisfaction and pessimism (Roskies & Louis-Guerin, 1990). The potential adverse impact of job insecurity spills over into the organisation where the non-committed, insecure individual is employed (Roskies & Louis-Guerin, 1990).

The current study indicates that employees' well-being does not depend on their perception of their ability to obtain employment in future. Instead, results indicated that the state of the psychological contract is a significant predictor of employees' well-being. Conway and Briner (2009) emphasise the fact that organisations shape employees' psychological contract in three ways: through their human agents, such as managers, communicating messages to the employees; through policies and practices (especially human resources practices); and through employment contracts. Therefore organisations play an important role in shaping employees' perception of the state of their psychological contracts (Conway & Briner, 2009). According to Handley, Sturdy, Fincham, and Clark (2006), managers can improve trust by providing recognition, by being sensitive to subordinates' needs and concerns and by creating effective communication channels. Special attention should be paid to the way managers communicate messages as well as to the content of these

messages. Tyagi and Agrawal (2010) recommend that organisational practices and policies, especially human resource practices, should be carefully designed and implemented with the aim of preventing psychological contract breach, which is an important source of employee dissatisfaction and distrust.

The current study also contributes to data on turnover intention, which is important for the organisation. According to De Cuyper, Mauno et al. (2011), turnover intention indicates that there is a problem with employees wanting to withdraw, but they have not yet made the final decision to leave. The information will assist organisations to design employability policies that are viable. If more is known about the psychological motives behind employees' intentions to leave, organisations will be better able to influence these motives (Van Vianen et al., 2003). Although it is possible to replace employees, new recruits may be less competent than former employees due to their lack of experience and company-specific knowledge (Half, 1982, as cited in Huang et al., 2007). In practice, employability means the investment in various interventions aimed at improving employees' knowledge and skills, especially those that are in demand (Baruch, 2001; Craig et al., 2002). As mentioned above, there is an assumed positive relationship between employable employees and performance. It is therefore important for organisations to invest in creating an employability culture; a culture that supports the development of employees (Nauta et al., 2009).

Baruch (2001) stresses that organisations should provide their people with employability but also commitment. He also warns that a sole focus on employability might turn into a lose-win situation where employable (talented) employees will leave the organisation for more attractive alternatives. Kalshoven and Boon (2012) also maintain that HR practices that encourage employee involvement and commitment will improve employee well-being. The current study supports this notion by demonstrating why it is important to ensure the positive evaluation of the psychological contract. Ensuring that employees' psychological contracts are fair, and that organisations keep fulfilling it, will serve as an important tool for human resource departments to improve employee well-being in order to retain employees. Kinnunen et al. (2011) maintain that this is also important for employees that are involuntarily in temporary positions, since job security is just as important for them as it is for permanent employees. Organisations are sometimes unable to avoid breach of the psychological contract (Gakovic & Tetrick, 2003), but interventions should then be designed to improve employees' well-being. This is important due to the positive influence of well-being on performance and turnover (Page & Vella-Brodrick, 2009).

One way of achieving this is through various positive psychology interventions (Seligman, Steen, Park, & Peterson, 2005). Positive psychology interventions focus on strengths-based development (Clifton & Harter, 2003; Harter, Schmidt, & Hayes, 2002, Harter, Schmidt, & Keyes, 2003; Hodges & Clifton, 2004), encouraging positive organisational behaviour, including self-efficacy, hope, optimism and resilience (Luthans, Luthans, & Luthans, 2004; Luthans & Youssef, 2007; Youssef & Luthans, 2007), and positive organisational scholarship (Cameron & Caza, 2004). Another way is to support employees to integrate their work and personal life. Beauregard and Henry (2009) also suggest that organisations' culture should support work-life integration. Casey and Grzywacz (2008) demonstrated the positive effect of work flexibility on well-being. They encourage organisations to train supervisors and managers to be supportive of employees' non-work responsibilities. Moreno-Jiménez et al. (2009) recommend that organisations design programmes that will facilitate psychological detachment from work, whilst Sonnentag and Fritz (2007) recommend verbal expression of emotions by employees, to regulate their moods. Firth et al. (2004) suggest that organisations develop strategies to manage and ventilate feelings of dissatisfaction.

Conclusion

The results of this study only partially support our expectations. As stated above, perceived employability may not be as important in predicting employees' well-being as has been previously assumed and we cannot conclude that the state of the psychological contract will moderate the relationship between employees' perceptions regarding their potential to find alternative employment and their well-being and intention to leave the current organisation. However, this issue deserves more research attention in the future.

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CHAPTER 4

CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

This chapter presents the conclusions of the study according to the general and specific objectives. The limitations of this research are discussed and recommendations are made for the organisation and for future research.

4.1 CONCLUSIONS

The general aim of this research was to explore the relationship between the state of the psychological contract, perceived employability, employee well-being and intention to leave. Based on the empirical results in the two previous chapters, the following conclusions are drawn:

The first objective was to investigate the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave, as it is described in literature. The state of the psychological contract, as defined by David Guest and his colleagues, has broadened the psychological contract construct to include the core elements (trust and fairness) of the traditional employment relationship and focuses less on the promises made and more on delivery (Guest & Conway, 2004). The state of the psychological contract is concerned with “whether promises and obligations have been met, whether they are fair and their implications for trust” (Guest, 2004, p. 549). Employees that are treated fairly and with respect display more commitment to the organisation (CIPD, 2010). Organisations that fulfil their promises signal to employees that their contributions are valued, that they are an important part of the organisation and that the organisation intends to continue the employment relationship (Coyle-Shapiro & Conway, 2005). In any relationship where promises are kept, satisfaction and desire to stay in the relationship will likely be the consequences (Conway & Briner, 2005). This is in line with the Social Exchange Theory (Blau, 1964). Several studies have also found a positive relationship between psychological contract breach and employees’ intention to leave (CIPD, 2010; Collins, 2010; Zhao, Wayne, Glibkowski, & Bravo, 2007).

Parzefall and Hakanen (2008) found in their study that employers who keep their promises and fulfil their obligations, energise their employees, which sets off motivational and health-enhancing processes that positively influence employees' well-being and health. Based on previous research findings, outcome measures of work-related well-being in the PSYCONES study (that were also used in this study) included indicators of satisfaction at work and in life, mental health (irritation, anxiety and depression) and work-life balance (CIPD, 2006; Guest, Isaksson, & De Witte, 2010). Gracia, Silla, Peiró, and Fortes-Ferreira (2007) concluded that there is a positive correlation between the state of the psychological contract and satisfaction with work, satisfaction with work-life balance, satisfaction with life and psychological well-being. This is supported by the main assumptions of the Job Demands-Resources (JD-R) model (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001; Bakker, Demerouti, & Verbeke, 2004). According to Dewe and Kompier (2010), negative well-being outcomes such as irritability, anxiety and depression may lead to job dissatisfaction, work-family conflict and an intention to leave the organisation.

Although it has never been tested empirically, the state of the psychological contract has a direct and indirect (via well-being) influence on an employee's intention to end the employment relationship. The effect of breach on work-related outcomes is explained by the Affective Events Theory (AET) (Weiss & Cropanzano, 1996). Immediately after a negative workplace event, negative affect or emotions arise, such as anger or fear, which prevent individuals from interpreting the situation rationally (Tyagi & Agrawal, 2010; Zhao et al., 2007). The intensity of the emotions will be determined by the importance of the event in relation to personal goals, and these emotions may overwhelm the individual (Zhao et al., 2007). An individual's cognitive evaluation of the job is influenced by these emotions in such a way that negative job attitudes can arise (Thoresen, Kaplan, Barsky, Warren, & De Chermont, 2003). The theory of planned behaviour also supports the perspective that attitude predicts subsequent behaviour. Breach is a negative workplace event that triggers negative emotions, which in turn will predict work-related behaviour (Zhao et al., 2007).

The second objective was to determine the relationship between the state of the psychological contract (as perceived by the employee), employee well-being and intention to leave amongst employees. Structural equation modelling indicated that the state of the psychological contract was positively related to employee well-being (standardised coefficient = .72, $p < .001$), employee well-being was negatively related to intention to leave (standardised coefficient = -.40, $p < .001$) and state of the psychological contract was negatively related to intention to leave (standardised coefficient = -0.39, $p < .01$). The third

objective was to determine whether employee well-being mediates the relationship between the state of the psychological contract (as perceived by the employee) and intention to leave. The hypothesised mediation model provided an adequate fit to the data: $X^2(51) = 127.93$, $p < .001$; RMSEA = .08; CFI = .94; and TLI = .91. The mediational role of employee well-being in the associations of state of the psychological contract and employees' intention to leave was more formally examined through a series of Sobel tests. Sobel tests indicated that employee well-being partially mediated the negative relation of the state of the psychological contract with intention to leave: $z = -4.29$, $p < .001$. Employee well-being explained 39% of the variance in intention to leave.

The fourth objective was to investigate the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave according to literature. Employability is defined by Van der Heijde and Van der Heijden (2006) as the "continuous fulfilling, acquiring, or creating of work through the optimal use of one's competences" (p. 453). Perceived employability is defined as an employee's perception of the possibilities of him/her finding a new and equal job (Berntson & Marklund, 2007; Berntson, Sverke, & Marklund, 2006) with the current employer or another organisation (De Cuyper, Van der Heijden, & De Witte, 2011). Marler, Barringer, and Milkovich (2002) and Fugate, Kinicki, and Ashforth (2004) depict (perceived) employability as an employee asset that increases an employee's sense of control over his/her job and career. Sense of control is considered a resource, and in line with the JD-R model, which postulates that resources lead to job-related and general well-being, employability will relate positively to employee well-being (De Cuyper, Van der Heijden et al., 2011).

De Cuyper, Van der Heijden et al. (2011) highlight the "employability paradox" by pointing out that even though employability enhances employee well-being, it is also the highly employable employees that are likely to leave the organisation. Van Vianen, Feij, Krausz, and Taris (2003) identify push and pull as the two motives for turnover. Dissatisfaction with one's current work situation would be a push factor while better opportunities to develop one's career elsewhere would serve as a pull factor. (Perceived) employability would serve as an example of a pull factor (Nauta, Van Vianen, Van der Heijden, Van Dam, & Willemsen, 2009). Researchers have found a positive relationship between perceived employability and intention to leave (Berntson, Näswall, & Sverke, 2010; De Cuyper, Van der Heijden et al., 2011). De Cuyper, Van der Heijden et al. (2011) argue that the psychological contract could play an important role in retaining highly employable employees. They base their opinion on contract replicability research done by Ng and

Feldman (2008), which indicated that if employees perceive their contract as not replicable in other organisations they are more inclined to experience job and life satisfaction and they are less inclined to leave the organisation.

The fifth objective was to determine the relationship between the state of the psychological contract (as perceived by the employee), perceived employability, employee well-being and intention to leave amongst employees. Structural equation modelling indicated that perceived employability did not add to predicting employee well-being (standardised coefficient = .07, $p > .10$). Perceived employability significantly predicted intention to leave (standardised coefficient = .24, $p < .001$). The sixth objective was to determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates positively to employee well-being under the conditions of fulfilment, trust and fairness amongst employees. The interaction term between perceived employability and the state of the psychological contract did not significantly predict employee well-being (standardised coefficient = -.004, $p > .10$). The seventh objective was to determine whether the psychological contract (as perceived by the employee) and perceived employability interact in such a way that perceived employability relates negatively to intention to leave under the conditions of fulfilment, trust and fairness amongst employees. The interaction term between perceived employability and the state of the psychological contract did not significantly predict intention to leave (standardised coefficient = -.04, $p > .10$).

In conclusion, the study highlighted the following in terms of the relationship between the state of the psychological contract, perceived employability, employee well-being and intention to leave. In Chapter 2, where only push factors were considered in the model, the state of the psychological contract had both a direct and indirect influence (via employee well-being) on employees' intention to leave. Employee well-being was found to be a partial mediator. In Chapter 3, where a pull factor was introduced - namely employees' perceived employability - the state of the psychological contract only had an indirect influence (via employee well-being) on employees' intention to leave the organisation. In both studies employee well-being was an important predictor of employees' intention to leave. The study also concluded that perceived employability influences an employee's intention to leave; however, it did not significantly predict employees' well-being.

4.2 LIMITATIONS OF THIS RESEARCH

It is important to point out some limitations of the study. Perhaps the most limiting factor in this study was the cross-sectional design; by implication no causal inferences may be drawn. In Article 1, reversed causation between variables or reciprocal relations may occur. However, the predictions are in line with theoretical arguments and findings from previous empirical studies. Nonetheless, future studies should apply longitudinal designs to gain further understanding of the explanatory power of the state of the psychological contract and employee well-being as mediator. Longitudinal studies will also enable us to understand whether it is the content as such that influences employee well-being and intention to leave or whether it is a change in content that influences outcome variables.

In Article 2, reversed causation may also occur; employees' perception of their employability may depend on their well-being (De Cuyper, Bernhard-Oetell, Berntson, De Witte, & Alarco, 2008; Kinnunen, Mäkikangas, Mauno, Siponen, & Nätti, 2011). The "healthy worker effect" referred to in literature (e.g. Virtanen et al., 2005) argues that healthy workers may be more successful in making progress in their careers. However, the predictions are once again in line with theoretical arguments and findings from previous empirical studies. Long-term effects of stressors on well-being may also differ from short-term effects, and therefore a cross-sectional design may result in the underestimation of the influence that a stressor has on an outcome variable (Abelson, 1985; Silla, De Cuyper, Gracia, Peiró, & De Witte, 2009; Zapf, Dormann, & Frese, 1996). Therefore, it is recommended that future studies apply longitudinal designs to gain further understanding of the explanatory power of perceived employability and to clarify causal relationships between perceived employability and various outcomes. Longitudinal studies will also enable us to understand the relationship between the state of the psychological contract and perceived employability.

Self-report surveys from employees were the only source of information about predictor and outcome variables. Common method variance in which correlations between predictors and outcome variables are inflated is a likely consequence when only one source is used to obtain data (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The perception of employees regarding concepts like state of the psychological contract, employee well-being, intention to leave, and employability was evaluated in this study and therefore self-reports are deemed appropriate to measure these concepts (Rousseau, 1995; Freese & Schalk, 2008). According to Podsakoff et al. (2003), most of the potential risks can be reduced by designing the

questionnaire carefully (e.g. making the necessary changes in the response format, ensuring anonymity, and encouraging participants' openness), as was done in this case.

The relatively small sample size, the geographic restriction of the study population and the sampling procedure, impose possible limitations on the generalisability of the findings. Even though the aim of the study was to establish relationships between the variables, future studies should include a larger and wider variety of subjects. Replication of the study in other regions may also produce different results due to contextual differences. Demographic variables were not included as control variables in the regression analysis: this presents a serious limitation, as other dispositional factors may relate to employee well-being and intention to leave, such as level of education or income, age or race.

The majority of the sample did not obtain a post-school qualification. Berntson et al. (2006) found a positive relationship between educational level and perceived employability and because the majority of the participants were not highly employable, the relationships may appear weaker and/or not significant. Future studies could consider using more employable employees, as was also recommended by De Cuyper, Van der Heijden et al. (2011) in a previous study. The variance explained by perceived employability was quite low for intention to leave. The study uses a small number of items to measure perceived employability and intention to leave, which may restrict the sample variation, resulting in a small percentage of variance explained. The hypothesised relationships may also be different in a sample of temporary workers, due to differences in psychological contracts, as discussed earlier. Job insecurity, which is believed to be an integral part of temporary employment, suggests that perceived employability may be more important for these individuals and for their well-being (Berntson, 2008; De Cuyper, Notelaers, & De Witte, 2009; De Cuyper, De Witte, Kinnunen, & Nätti, 2010).

4.3 RECOMMENDATIONS

Despite these limitations, the current study has important implications for organisations and future research.

4.3.1 Recommendations for organisations

The results of this study should also be interpreted against the background that employees have the important function of enabling an organisation to compete successfully. However,

Perez and De Pablos (2003) point out that employees are also the most challenging element of a business to control. The recommendations that can be made for organisations should be viewed from a retention perspective. The factors that are identified to motivate employees to leave should be used to improve retention programmes (Fakunmoju, Woodruff, Kim, LeFevre, & Hong, 2010). Effective retention programmes can prevent the negative outcomes associated with turnover. Turnover can considerably influence the performance of a business through increased training and recruitment expenses, decreased levels of employee morale, decreased job satisfaction, the perception of a decrease in service/product quality among customers (Cho, Johanson, & Guchait, 2009) and the loss of tacit knowledge (Shahnawaz & Jafri, 2009). Cascio (2003) calculated the cost of employee turnover as amounting to between 1.5 and 2.5 times the cost of an employee's annual salary. The results of this study highlight both the push and pull factors, which should be the focus of retention programmes. Both the state of the psychological contract and the well-being of employees are important in terms of push factors. Organisations shape employees' psychological contract in three ways: by means of their human agents, such as managers, communicating messages to the employees; through policies and practices (especially human resources practices); and through employment contracts. Organisations therefore play an important role in shaping employees' perception of the state of employees' psychological contracts (Conway & Briner, 2009).

Tyagi and Agrawal (2010) recommend that organisational practices and policies, especially human resource practices, should be carefully designed and implemented with the aim of preventing psychological contract breach, which is an important source of employee dissatisfaction and distrust. Organisations will not be able to fulfil every single promise made to an employee (Rousseau, 1995), and this situation necessitates the designing of interventions that are aimed aimed at improving employee well-being in order to retain employees. Employee well-being is important because it enhances employees' performance and reduces employee turnover (Page & Vella-Brodrick, 2009). The findings clearly suggest that organisations are able to control voluntary turnover directly by increasing employee well-being as well as indirectly through ensuring fairness in fulfilling promises. There may also be factors that can pull an employee from an organisation. One example of such a pull factor is employees' perception of the ease with which they can move, commonly referred to as employability (Berntson & Marklund, 2007). This study found a positive relationship between perceived employability and employees' intention to leave. Organisations may not be able to influence the external pull factors, but are able to influence the internal push factors (Maertz & Campion, 2004). This was confirmed by the study, as employee well-being

was a stronger predictor than (perceived) employability. Employee well-being should therefore be a key priority for any organisation.

Employee well-being can be improved through various positive psychology interventions (Seligman, Steen, Park, & Peterson, 2005). These interventions focus on strengths-based development (Clifton & Harter, 2003; Harter, Schmidt, & Hayes, 2002, Harter, Schmidt, & Keyes, 2003; Hodges & Clifton, 2004), encouraging positive organisational behaviour, including self-efficacy, hope, optimism and resilience (Luthans, Luthans, & Luthans, 2004; Luthans & Youssef, 2007; Youssef & Luthans, 2007), and positive organisational scholarship (Cameron & Caza, 2004). Another way is to support employees to integrate their work and personal life. Beauregard and Henry (2009) suggest that organisations' culture should support work-life integration. Casey and Grzywacz (2008) demonstrated the positive effect of work flexibility on well-being. They encourage organisations to train supervisors and managers to be supportive of employees' non-work responsibilities. Moreno-Jiménez et al. (2009) recommend that organisations design programmes that will facilitate psychological detachment from work whilst Sonnentag and Fritz (2007) recommend verbal expression of emotions by employees in order for them to regulate their moods. Firth, Mellor, Moore, & Loquet (2004) suggest that organisations develop strategies to manage and ventilate feelings of dissatisfaction. All these are examples of interventions that should form part of the employee well-being programmes of organisations.

4.3.2 Recommendations for future research

A promising route for future research would be to pay more attention to the model of the psychological contract as conceptualised by David Guest and his colleagues (Guest, 1998; Guest & Conway, 2002). Employees' perception of the fairness and trust associated with the fulfilment of the psychological contract proves to be an accurate predictor of individual outcomes such as well-being, attitudes and behaviour. Future research could also include organisational outcomes. The hypothesised model in Chapter 2 showed an acceptable fit with the data, and future research could focus on improving the fit. The mediating role of employee well-being should be explored along with other mediating variables in the prediction of employees' intention to leave the organisation. The hypothesised model in Chapter 2 only considered push factors, but there may also be factors that can pull an employee from an organisation. Berntson and Marklund (2007) describe employees' perception of the ease with which they can move (employability) as one such pull factor. A

more complex and dynamic model to determine the effects of the push and pull factors was investigated in Chapter 3. The model showed an acceptable fit to the data, but future research could focus on improving the model fit by including other push and pull factors relating to employees' intention to leave.

Another promising route for future research would be to explore the role of employability as a moderator. Researchers started investigating the role of perceived employability as moderator between job stressors and well-being (Büssing, 1999; Kuhnert & Vance, 1992; Mohr, 2000; Silla et al., 2009). Due to the positive relationship between perceived employability and intention to leave, future studies should investigate other factors that may moderate the relationship. De Cuyper, Mauno, Kinnunen, and Mäkikangas (2011) concluded that the relationship between perceived employability and intention to leave is indirect and that it is important to investigate further moderators. Future research could also focus on examining the relationships between the variables in a sample of temporary workers, with permanent employees as a reference group. Contract preferences are said to be an even more important predictor of employees' reactions than contract type (Connelly & Gallagher, 2004; Ellingson, Gruys, & Sackett, 1998; Isaksson & Bellagh, 2002). According to Kinnunen et al. (2011), contract preferences refer to whether an employee's temporary employment is voluntary or involuntary. They also believe that employees occupying temporary positions involuntarily want to be employed permanently by an organisation and therefore their psychological contract may be similar to those of permanent employees (Kinnunen et al., 2011). Future research could investigate the model proposed in Chapter 3 of this study, by taking into account both contract type (permanent or temporary) and preferences (voluntary or involuntary) when comparing groups.

Organisations have to adapt to the rapidly changing macro and micro business environments by reorganising work and employment (Guest et al., 2010). This implies changes in the employment relationship that may have an impact on the viability thereof (Guest, 2004), as well as on employees' subjective experiences of their work and the employment relationship (Rothmann & Cilliers, 2007; Schreuder & Coetzee, 2010). Schreuder and Coetzee (2010) argue that "new" workplaces lead to significantly more intellectual and psychological demands, with the potential to negatively influence employees' subjective experiences of their jobs, consequently influencing their well-being. Companies can no longer offer long-term, secure employment to employees (Marah & Murray, 2007; Tyagi & Agrawal, 2010). Job insecurity is detrimental to employees' health and well-being (De Cuyper, Baillien, & De Witte, 2009). In this study, perceived employability was

evaluated as a possible factor that can help employees deal with the contemporary challenges in the labour market. Future research should explore other factors that can provide employees with a sense of control. Page and Vella-Brodrick (2009) observe that further research on the antecedents, correlates and outcomes of employee well-being will shed light on additional factors that may improve well-being.

The last recommendation for future research pertains to the outcomes of perceived employability. In the previous chapters it was indicated that studies on the relationship between perceived employability and certain well-being indicators produced mixed results. Some researchers found a significantly positive relationship (e.g. Berntson & Marklund, 2007; Clinton & Guest, 2010; De Cuyper et al., 2008; Issakson, 2006), whereas others found no significant relationship (Silla et al., 2009; De Cuyper, Van Der Heijden et al., 2011). More research is needed to draw a definite conclusion. The relationship between perceived employability and employees' intention to leave proved to be weak in previous studies (De Cuyper, Mauno et al., 2011), as was the case in the current study as well. Further research is necessary, preferably longitudinal studies.

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