



**Faculty of Cognitive Sciences and Human Development**

**PSYCHOLOGICAL CONTRACT FULFILMENT INFLUENCE JOB  
RETENTION AMONG NEW GRADUATED EMPLOYEE**

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**PSYCHOLOGICAL CONTRACT FULFILMENT INFLUENCE JOB RETENTION  
AMONG NEW GRADUATED EMPLOYEE**

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This project is submitted  
in partial fulfilment of the requirements for a  
Bachelor of Science with Honours  
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The project entitled 'Psychological Contract Fulfilment Influence Job Retention Among New Graduated Employee' was prepared by *Mohamad Zulhasif Bin Abdullah (63355)* and submitted to the Faculty of Cognitive Sciences and Human Development in partial fulfillment of the requirements for a Bachelor of Science with Honours *Human Resource Development*

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## **ABSTRACT**

This study is conducted to examine psychological contract fulfilment explained by salary, intra organizational mobility and work environment influence job retention among new graduated employee. This quantitative study is carried out by distributing online survey to 86 newly hired employee in between 2017 – 2020 in selected private organization in Kuala Lumpur and government linked company in Kota Bharu, Kelantan. Non-parametric test which are Spearman Correlational test is used to examine the relationship between salary, intra organizational mobility and work environment with job retention among new graduated employee. The finding shows salary, intra organizational mobility and work environment has significant impact to retain newly graduated employee. Findings from this study is aligned with previous study from different scholars where they concluded psychological contract fulfilment influence job retention and turnover intention of employee.

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

Chapter 1 comprises a few sections which thoroughly discussed on the background of the study, problem statement, conceptual framework, research hypotheses, definition of terms used widely in this study and significance and limitation of this study to give the understanding on the fundamental of this research.

### 1.1 Background of Study

The trend of job preferences has changed considering the existence of Gen Z in workforce. They briefly stay in one position rather than dedicating their lives for one employer only. According to Devi (2009), it is important for employer to create retention-rich organization to retain great talent in their company. Job retention is a serious focus which employer should pay attention in order to maintain the existence talent in their workforce. Employee turnover is number of employees leave the organization meanwhile, turnover intention is referring to employee's plan to leave the organization.

Turnover intention can be either voluntary or involuntary (Saeed, Waseem, Sikander and Muhammad Rizwan, 2014). Voluntary turnover means the employee willingly to leave the organization. For example, the employee received better work offer from other company or he/she is leaving the current job to pursue his/her further study. Meanwhile, involuntary turnover happens when the organization is not satisfied with the employees' performance after giving them a few chances to improve themselves and they planned to terminate the contract.

According to Department of Statistics Malaysia, in first quarter 2018 recorded an increasing rate of employment with 25.2 per cent and 13.2 per cent leave their organization.

Considering the rate on fourth quarter 2017, the rate of employee leaves their organization is only 7.1 per cent. Hence, the number of employees leaves their organization is increased. The current trend of job hopping to build multicarrier especially among fresh graduates in workforce contributes to the increase rate of turnover. The implied meaning of the scenario of employment reflects the failure of organization to fulfil the psychological contract among new graduated employee. Psychological contract means the subjective relationship exists in employer-employee relationship which drew what should the person and other person received. It is the system of belief on obligation of themselves as employee and exchange party which is the employer (Chaudry & Tekleab, 2014). The blanket references of employee turnover may be varying; therefore, this study will concentrate on the psychological contract fulfilment influence job retention among new graduated employee.

The advancement of technology in current economic world resulting in company is fighting to retain skilled worker in their organization (Obuya & Rugimbana, 2014). Employee who received better offer will leave the organization if they think the current organization give minimal benefit for them. In other literature as stated by (Stoner & Gallager, 2010; Arthur and Kolson, 2017) the quality of work done by employee, attitudes and working environment is depending on the establishment of psychological contract fulfilment.

Study on psychological contract fulfilment also can provide the insight to predict the level of willingness of employee to work additional hours, sense of volunteerism and sense of belonging toward company (Wangithi & Muceke, 2012). According to Shore and Tetrick as cited in Arthur and Kolson (2017) these enhanced traits of psychological contract fulfilment can eliminates insecurities and future trade.

## 1.2 Problem Statement

Onici (2009) stated that psychological contract fulfilment is developed as early as at the stage of recruitment and selection. Researcher in the similar study mentioned that it is important to develop the early expectation of future job expectation however it is not enough to build psychological contract only during recruitment stage. Employer shall strive to maintain and improve the expectation from employee in order to convince them to stay in organization.

Psychological contract develops continuously between worker and bosses. Example of common psychological contract that happen in an organization is promises on promotion or salary increases. According to Herath (2013) as cited in Silva and Weerasinghe (2016) based on interview conducted the average period of professional in IT sector to stay in a company is 2 years in Sri Lanka. However, there are employees worked more than 2 years. The argument used by researcher is that they are bound psychologically with the job. So, this research will assess the psychological contract fulfilment for new graduated employee with maximum 3 years of formal working experience.

From the previous study (Osborne & Croucher, 1994; Gorter, Eijkman, Hoogstraten, 2000; Chen et. al, 2013) turnover intention is widely studied in healthcare and professional occupation in different country. According to study conducted by (Chen et. al., 2013) on turnover intention among dentist in Taiwan, they concluded that the rate of turnover intention is higher among residents compare to visiting staff. The contributing factor is the large gap between the expected income and actual income received by dentist. In addition, the empirical study in the same study they asses the turnover intention discovered that work pressure also the related variable which influence the turnover intention.



Researchers on burnout in Dutch dentist revealed that dentistry is a professional group that work under pressure (Osborne & Croucher, 1994; Gorter, Eijkman, Hoogstraten, 2000). Moreover, dentistry is proven to be suitable practice in an independent clinic (Chen et. al., 2013). Thus, this study will focus on new graduated employee who newly joined workforce regardless sector of employment.

A study on determinant of retention among information technology (IT) professional in Sri Lanka showed that IT firms in the country faced serious issues to handle job hopping among IT professional (Silva and Weerasinghe, 2016). In the analysis of the study, the trend of job hopping in Sri Lanka is prominently contribute by work atmosphere and stimulating job. A recent finding by Gillingham as cited in (Obuya & Rugimbana, 2014) highly performance employee in South Africa is constantly received offer from multinational company such as BMW, Unilever and so on. The rate of expert export is high as they are daily migrating to other country for better job opportunity. Therefore, this study will be focusing more on psychological fulfilment among in new graduated employee in Malaysia.

Moreover, different social sciences literature on psychological contract fulfilment used different framework to conduct their studies. First framework discusses in term of changing in company management, lack of openness in area of communication, incompetence employer and failure to build good relationship between employee and employer (Pate & Scullion, 2016). Similarly, other literature, psychological contract framework used employee encounter problem with children, spouse, parent with mental or physical problems as their subject of studies (Alcover, Rico, Bolino and Klotz, 2016).

Meanwhile, the framework of psychological contract fulfilment for expatriate consist of “balance time, reception by employer, external environment, amicable colleague, knowledge of culture, domestic happiness, obligations and promises, work environment and salary”. The

specification of determinants is “job security, career development, work-life balance, intra-organizational mobility, task description, salary satisfaction, autonomy, stimulating job and work atmosphere” (Guzzo et al., 1994; Rousseau, 1995; Lewis, 1997) as cited in Silva & Weerasinghe (2016). Thus, this study will examine the establishment of psychological contract fulfilment in term of intra organization mobility, work atmosphere and salary among fresh graduates by adapting a few frameworks from expatriate study.

There are a few recommendations suggested from previous research to improve this research such as extending the sample size to represent the large number of population (Silva & Weerasinghe, 2016). The problem occurred maybe due to the difficulties of targeted population or questionnaire return rate is low. Secondly is this study should use different types of employee and not only specified into one occupation only. Past research vastly explained about the fulfilment for certain type of job. Hence, this study should consider different type of occupation in order to generalize the findings for different sector of job. It is also recommended to distribute the questionnaire in different state and community because different place has varied needs depending on the society and economic status (Iqra Saeed, Momina Waseem, Sidra Sikander & Muhammad Rizwan, 2014).

### **1.3 General Research Objective**

The general objective of this research is to determine the relationship between psychological contract fulfilment influence job retention among new graduated employee.

#### **1.3.1 Specific Research Objectives**

The specific objectives of this research are to:

1. To determine the relationship between intra organizational mobility and employee retention.
2. To determine the relationship between work atmosphere and employee retention.
3. To determine the relationship between salary and employee retention.

## 1.4 Research Hypothesis

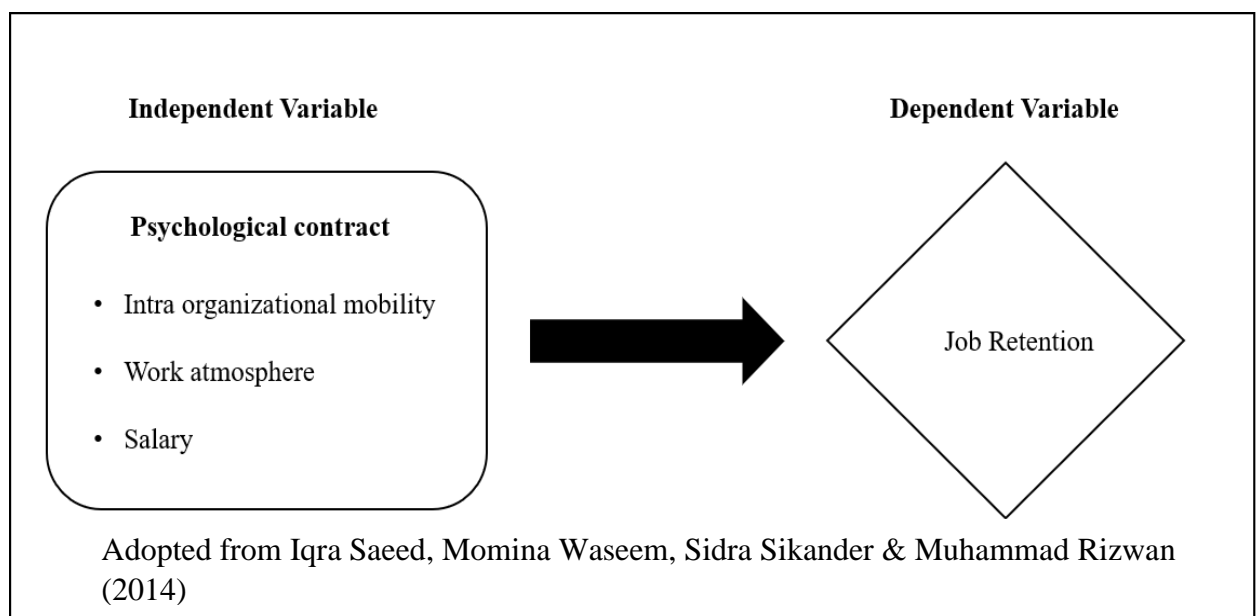
**H<sub>a1</sub>:** There is relationship between intra organizational mobility and employee retention.

**H<sub>a2</sub>:** There is relationship between work atmosphere and employee retention.

**H<sub>a3</sub>:** There is relationship between salary and employee retention.

## 1.5 Conceptual Framework

Figure 1 illustrates the conceptual framework of this research. The independent variable is psychological contract which consists of intra organizational mobility, work atmosphere and salary while the dependent variable of this research is job retention.



*Figure 1.* Conceptual Framework

## **1.6 Significance of Study**

### **1.6.1 Significance to the body of knowledge**

On previous social science literature was focusing psychological contract fulfilment on leader-member exchange (LMX) and perceived organizational support (POS). They used different psychological contract framework to assess the fulfilment on different occupation and type of employment. Hence, this study will contribute to another literature where it discussed the psychological contract fulfilment in terms of salary, intra-organizational mobility and work atmosphere on new graduated employee. It is beneficial to add on existing knowledge regarding system of belief in employee on what they should reciprocate from employer and the dominant aspect between the three variables.

### **1.6.2 Significance to the research methodology**

This correlational research will assess the relationship between psychological contract fulfilment which influence job retention among new graduated employee. It is a replication research with adaptation on theoretical framework from similar social science journal and books about the effect of psychological contract on job retention. A new adapted questionnaire will be used to measure the focus aspect of this study which provide a new assessment method to new researcher if they are intended to replicate similar study in the future.

### **1.6.3 Significance to the Human Resource Practitioner**

The findings from this research are beneficial to HR practitioner who is conducting similar research as they can used this research data to compare with their own respondent feedback. The result of this research can be used by HR practitioner to capture talented employee to stay in their organization by developing retention and development planning. Higher turnover is not a good sign for company to constantly grow. Hence, through this

research it helps HR practitioner to have the insight on talent retention trend change in the market.

## **1.7 Definition of Terms**

### **1.7.1 Psychological contract**

*Conceptual definition:* Unwritten belief and expectation from employee towards their employer and vice versa. It includes perception about employment, commitment and obligations (Weralupitiya & Yasodara, 2016).

*Operational definition:* It is the employee expectation towards employment, working satisfaction, job description and chances to develop their personal mastery.

### **1.7.2 Intra organizational mobility**

*Conceptual definition:* Movement of employees within the same organization. According to Kallenberg & Mastekaasa (2001) there are three movement of employee in company which are upward (job promotion), downward movement (demotions) and lateral movement.

*Operational definition:* Opportunity provided by company for their employee regardless status of worker. It includes learning opportunity for career development, promotion or involving in promotion or involving in different jobs across departments.

### **1.7.3 Turnover intention**

*Conceptual definition:* Turnover intention means employee willingness and intentional to withdraw from a company to look for a greater job offer (Arshadi and Damiri, 2013).

*Operational definition:* Employee thought to leave the organization either voluntary or involuntary.

### **1.7.4 New graduated employee**

*Conceptual definition:* An employee hired by an employer to perform specific task as per requested. The term of an employee is specified by an offer letter (Heathfield, 2018)

*Operational definition:* A person who newly joined the company within 3 years after graduating from higher learning institution. It may include all employee which in probation or contract period within time frame stated.

### **1.7.5 Salary**

*Conceptual definition:* Salary is fixed amount of money received per pay period (Bragg, 2018) and wages according to Employment Act 1995 is “basic wages and all other payment in cash payable to employee for work done in respect of contract of service which not include value of house accommodation, contribution by employer”, travelling allowance, special expenses gratuity and bonus.

*Operational definition:* Compensation for work done by the employee and the amount are agreed between employee and employer as stated in the contract of service.

### **1.7.6 Work atmosphere**

*Conceptual definition:* The combination of interrelation between employee, employer and environment which included physical setting, characteristic of the job, organizational characteristic and extra organizational setting such as local labour market (Briner, 2000 as cited in Oludeyi, 2015)

*Operational definition:* Climate that exist in respect of the culture and the norm in the organization. It also explains about the interaction between employee-employer and employer-employee.