

# The Impact of Investment in Employee Development on the Fulfilment of the Psychological Contract and Organisational Outcomes

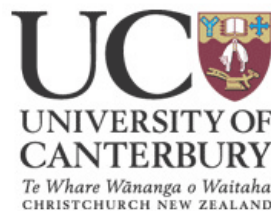
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By

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## **Abstract**

Present economic conditions are causing businesses to experience unprecedented change in the current global market place. Competition for high-performing employees is ever increasing (Berger & Berger 2004) and the relationship between the individual and the organisation is a central factor in employee behaviour and performance (Allen, Shore, & Griffeth, 2003; R. Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002; Malik, Abbas, Kiyani, Malik, & Waheed, 2011) This study examined how employees perceive and react to the amount of training related support they receive. I investigated the role of psychological contract fulfilment as a mechanism through which perceptions of organisational support for development have on organisational attitudes, intentions and behaviours. Based on the findings, organisational support leads to the perceived fulfilment of the psychological contract and more positive organisational outcomes, while the total amount of the expenditure on training and development appears to not have an effect on meeting expectations or endearing employees to expend more effort for the organisations' benefit. More importantly, the overall support and perceived opportunities for development appear to have more effect in convincing employees to reciprocate in positive ways. However the results suggests that Perceived Organisational Support appears to have more influence than Perceived Investment in Employee Development. Altogether, the present study contributes to a better understanding what drives psychological contract fulfilment and how employees react to the support they receive from their organisation.

## Research Rationale

Organisations have identified the need to invest in human resources (HR) in an attempt to enhance their human capital. Investments in HR are needed to increase effort and competence from employees to create a sustained competitive advantage (Ferrer, 2005), while competition for high-performing employees is ever increasing (Berger & Berger 2004). The predicted and actual talent shortages have forced organisations to focus efforts on the quality of the employee-organisation relationship (Williamson, 2008), which has been found to play a key role in employee behaviour and performance (Allen et al., 2003; R. Eisenberger et al., 2002; Malik et al., 2011). However, increasing global competition, rapid technological advancement, increased complexity of work, reduced supervision, and the Global Financial Crisis (GFC) has caused a transformation of the employment relationship. Different demands are placed on the workforce; employees are expected to work on flexible contracts, on different tasks, in changing teams, at a faster pace and in an increasingly technical environment. These current conditions create the context that surrounds and contains the 'terms and conditions' of the employment relationship. As a result, psychological contracts have become increasingly important in helping define the contemporary employment relationship.

Psychological contracts consist of the beliefs employees hold regarding the terms and conditions of the exchange agreement between themselves and their organisations (Robinson & Rousseau, 1994; Rousseau, 1989). It constitutes the reciprocal obligations and is fundamental in regulating the employee-employer relationship (D. Rousseau, 1995). Within an organisation, employees tend to view themselves in terms of their membership (De Vos, Buyens, & Schalk, 2003), meaning that the quality of the relationship that develops with the organisation may exert an important influence on their attitudes and behaviours. These include turnover intentions (Allen et al., 2003; C. H. Lee & N. T. Bruvold, 2003; Tuck & Malinen, 2011), organisational citizenship behaviours (Podsakoff, MacKenzie, Paine, & Bachrach, 2000; S. L. Robinson & Morrison, 1995; Van Dick et al., 2004) in-role behaviours (Turnley, Bolino, Lester, & Bloodgood, 2003) and, importantly, employee performance (Conway & Coyle-Shapiro, 2012). Despite the established link between psychological contract fulfilment and positive organisational outcomes, research

lacks understanding of the mechanisms underlying its development (Lee, 2011). Specifically, research is needed to determine the impact that training and development activities have on the contemporary employee-employer relationship. Thus, the focus of this study is to examine training and development expenditure in relation to the psychological contract fulfilment and its effect on organisational outcomes.

This study will investigate how employees perceive and react to the amount of training-related support they receive. It also intends to examine the role of psychological contract fulfilment as a mechanism through which perceptions of organisational support for development have on organisational attitudes, intentions and behaviours. Using a social exchange perspective (Blau, 1964), this study will address four central questions:

1. What is the relationship between training hours/days (proxy for training expenditure) and employees' perceptions of investments in employee development (PIED)?
2. How does organisational support for development (training expenditure and PIED) influence psychological contract fulfilment over and above that of general perceived organisational support (POS)?
3. What influence does organisational support for development and POS have on organisational outcomes, such as turnover intentions and citizenship behaviours?
4. Does psychological contract fulfilment mediate the relationships between organisational support for development (training hours/days and PIED) and POS with organisation outcomes (turnover intentions, organisation citizenship behaviours, and employee engagement)?

### **Literature Review**

Training has been considered a crucial HR management practice that should be provided by employers within a balanced employment relationship (Tsui, Pearce, Porter, & Tripoli, 1997). It is one of the most important ways to assist personnel to gain new knowledge and skills required to succeed in complex and competitive environments (Tsui et al., 1997). Organisations invest a great deal of money, time and effort in the development of their employees (Aguinis & Kraiger, 2009). For example, it is estimated that U.S. companies spent \$162.2 billion on employee learning and development in 2013 (American Society for

Training and Development, 2014). As acquiring knowledge is vital for organisations, appropriate training and development (T&D) practices are decisive of a firm's success (Aguinis & Kraiger, 2009). Research suggests that investments in T&D are associated with a range of individual and organisational benefits (Aguinis & Kraiger, 2009; Al-Emadi & Marquardt, 2007; Bassi & Ludwig, 1999; Ehrhardt, Miller, Freeman, & Hom, 2011; Longenecker & Fink, 2005; Moreland & Myaskovsky, 2000). HR literature, for example, often reinforces that training and employee development is the vital component in realising the latent potential of employees and have been identified as key determinates of organisational performance and economic growth (Al-Emadi & Marquardt, 2007; Birdi, Allan, & Warr, 1997; Ehrhardt et al., 2011; Noe, 1996, 2002; Rahman & Shah; Tansky & Cohen, 2001). Research has also identified that investment in the development affects important employee attitudes (K. Bartlett & Kang, 2004; K. R. Bartlett, 2001; Alan M Saks, 1995). At the heart of these studies is the theory of social exchange, which suggests that an individual seeks to reciprocate in positive ways by extending their effort to benefit the organisation when the employee receives something of value such as training and development opportunities (A.M. Saks, 2006).

Researchers have shown increasing interest in the role of exchange processes in organisations (Rousseau, 1995) which is underpinned by the social exchange theory. Blau (1964) defined a social exchange relationship as involving unspecified obligations in which there are favours that create future obligations. Further, Gouldner (1960) considered beneficial actions aimed at workers by organisations to contribute towards establishing an exchange that creates obligations for employees to reciprocate in positive, beneficial ways. This suggests that when an employer invests in the development of employees, the employees are likely to reciprocate in positive ways (Cropanzano & Mitchell, 2005) such as being more committed to the organisation (Ahmad & Bakar, 2003), being less likely to leave (Benson, 2006) and feeling more engaged (A.M. Saks, 2006). The social exchange relationship also presupposes that the worker responds in accordance with perceived implicit or explicit mutual promises established with the organisation, i.e., the psychological contract (Rousseau, 1995).

Employees' psychological contracts influence their efforts on behalf of the employer (Coyle-Shapiro & Conway, 2005) as well as their acceptance of organisational change and reactions to an employer's failure

to keep perceived commitments (S. L. Robinson, Kraatz, & Rousseau, 1994). The social exchange perspective would suggest that the relationship between employees and their employer is built on the exchange of effort and loyalty for benefits like pay, support, and recognition (Blau, 1964; Levinson, 1965; Rousseau, 1995). Accordingly, employees' evaluation of the quality of their exchange relationship with the organisation and its agents (i.e., managers and supervisors) is predictive of their work-related attitudes and behaviour (Van Knippenberg, Van Dick, & Tavares, 2007). The better the perceived quality of the exchange relationship (benefits received from the organisation are high and equal to that of the employees inputs into the relationship), the more motivated individuals are, exerting more effort for the other party and remain within that relationship (Van Knippenberg et al., 2007). This motivation is derived from the norm of reciprocity that suggests that benefits should be repaid in kind (Robert Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Gouldner, 1960).

In light of trends of globalisation, downsizing and restructuring, the psychological contracts that underpin contemporary employment relationships are being consistently reconsidered. In this climate of change, the traditional contract of long-term job security in return for hard work and loyalty rarely applies (Robinson, 1996). Both parties to the employment relationship are now frequently reconsidering what employees owe to their organisation and what the organisations owe to them - their mutual obligations. Importantly, the frequent changes have increased the likelihood of these mutual obligations not being met i.e. the psychological contract has been breached (Coyle-Shapiro & Kessler, 2002). Unfortunately, breaches are a regular and normal occurrence within the workplace (Chambel & Alcover, 2011). Robinson and Rousseau (1994) found that 55 per cent of their sample of managers thought that their organisations had failed to fulfil one or more of their promised obligations in the first two years of the employment relationship. Similarly, small daily broken promises are a common occurrence in workplaces (Conway & Briner, 2009). These perceptions have been found to have a number of significant, negative outcomes such as reducing employees' trust towards the organisation, job satisfaction, sense of obligation and, importantly, in-role and extra-role performance (Robinson & Rousseau, 1994; S. L. Robinson, 1996; S. L. Robinson et al., 1994). Given the potential negative effects, it has become vital to understand the conditions under which perceptions of psychological contract fulfilment and breach arise (S. L. Robinson & Morrison, 2000).



Research has suggested that clearer expectations - on both sides - of what is expected in a employment relationship is now needed in a modern environment (e.g., Sadler- Smith & Smith, 2004) and the psychological contract is one way of examining the expectations between employees and their employers.

The focus of this study is to examine perceptions of employee development in relation to the psychological contract. In particular, this study analyses employers' contributions relating to training, employee perceptions of such contributions. Further, the effects on individual and organisational consequences of psychological contract fulfilment with regard to training and development opportunities will be examined.

### **Training and Development and Psychological Contract Fulfilment**

Inducements, including training and development, are the rewards and support that employers provide to motivate workers to join the organisation, stay, and contribute positively (C. Lee, Liu, Rousseau, Hui, & Chen, 2011). Contributions, the reciprocal resources employees provide in terms of their work effort, manifest themselves as job performance and extra role performance. In the context of the psychological contract, the meaning attributed to inducements and contributions depends on whether the employee perceives these as fulfilling prior obligations, creating new ones, or a combination of the two (C. Lee et al., 2011). In other words, whether training and development contributes to psychological fulfilment or breach of the implicit contract depends on whether the training received by the employee has met their initial expectations.

Training and development is an important element in the make-up of the psychological contract, not only because it acts as an inducement for employees to maintain commitment to the organisation, but also in terms of employer expectations, who consider the development of highly trained workers with firm-specific skills as a major factor in securing competitive advantage (Conway & Briner, 2009). In addition, there is symbolic value in training and development, which is relevant to the psychological contract since it serves to demonstrate the value the company places on its employees (Rainbird, 1994). As noted above, the norm of reciprocity is suggested to be the mechanism through which inducements lead to employee contributions

(De Vos et al., 2003; C. Lee et al., 2011). In essence, employer inducements, like training and development, relate to employers' obligations in the eyes of employees (C. Lee et al., 2011). Therefore, it is hypothesised that -

*H1: Training and development expenditure will have a positive relationship with perceived investment in employee development (PIED).*

*H2: Training and development expenditure will have a positive relationship with psychological contract fulfilment (Fulfilment).*

### **Perceived Organisational Support & Psychological Contract Fulfilment**

A critical challenge for researchers is to understand how employees evaluate the exchange between the individual and the organisation. A key factor in how an employee globally evaluates the employment relationship is perceived organisational support. Perceived Organisational Support (POS) refers to employees' general belief that their organisation values their contributions and cares about their well-being. POS is a bundle of valued benefits and future opportunities that organisations provide to create mutual commitment (C. Lee et al., 2011). Robert Eisenberger et al. (2001) suggested that POS creates a perceived obligation among employees to care for the organisations well-being. Further, POS has been previously shown to have a positive influence on the fulfillment of obligations in the psychological contract (Coyle-Shapiro & Kessler, 2002). Based on the norm of reciprocity, when employees experience high levels of POS they tend to return this support by helping the employer reach their goals (Coyle-Shapiro, Shore, Taylor, & Tetrick, 2004). The relevance of this outcome may be in view of its basis in social exchange theory and also in terms of its consequences on employee attitudes and behaviour. However, what is less clear is when and in what form the beneficial action will be reciprocated (Coyle-Shapiro & Conway, 2005). POS has been operationalised as a global exchange between employees and the organisation, and high levels of POS are believed to create the impetus for employees to reciprocate (A.M. Saks, 2006). For example, this reciprocation may take the form of employee engagement, organisational citizenship behaviours, and lower turnover intentions (Coyle-Shapiro & Kessler, 2002; Robert Eisenberger, Huntington, Hutchison, & Sowa,

1986). Furthermore, empirical evidence has established a positive link between HR practices (training, development experiences and promotion) and POS, which has been attributed largely to the norm of reciprocity (Wayne, Shore, & Liden, 1997). In other words, employees seek a balance in their exchange relationships with organisations by having attitudes and behaviours matching the degree of employer commitment to them as individuals (Wayne et al., 1997).

Therefore, employers that fulfill promises to employees signal that they are committed to employees, value contributions and intend to continue with the relationship. The employee recognises these signals, which are consistent with favorable treatment and should contribute to the development of psychological contract fulfillment.

Accordingly, it is hypothesized that -

*H3: POS will have a positive relationship with psychological contract fulfillment.*

### **PIED and Psychological Contract Fulfilment**

POS is likely to influence psychological contract fulfilment (Coyle-Shapiro & Kessler, 2002), however, the role perceived investment in employee development (PIED) plays in this relationship is unknown. PIED is developed through an employees' assessment of their organisation's commitment to help employees learn to identify and obtain new skills and competencies that will allow them to move to new positions, either within or outside of these organisations (Wayne et al., 1997). Therefore, the more the organisation commits to an employee's growth, the more that the employee can be expected to apply greater effort towards the organisation. Although POS captures overall employee attitude on the support that is given to an employee by the organisation, it fails to capture the important component of employee investment (Tuck & Malinen, 2011). In addition, research has shown that PIED is a specialised form of POS (Tuck & Malinen, 2011), and in a recent study perceived training obligations were reported as being the most important obligation of all (E. Smith, Walker, & Brennan Kemmis, 2011). Similar to POS, the theoretical justification for employee development playing a significant role in the development and fulfilment of the psychological contract can be found in social exchange theory (Robert Eisenberger et al.,

1986). Given the significant cost of training and development to organisations, it is vital to understand whether or how PIED influences the perception that the psychological contract have been fulfilled. Therefore, I propose that there will be a positive relationship between PIED and psychological contract fulfilment.

*H4: PIED will have a positive relationship with psychological contract fulfilment.*

### **Organisational Support for Development and Organisational Outcomes**

Past research on the relationship between perceptions of employee development has reported inconsistent results and turnover intentions (Kraimer, Seibert, Wayne, Liden, & Bravo, 2011). For example, employees who participated in tuition reimbursement programmes reported higher turnover intentions compared to those who did not participate or took fewer classes (Benson, 2006). Perceptions of supervisor support for development directly decreased turnover intentions, but indirectly increased turnover intentions through career adaptability (Ito & Brotheridge, 2005). A direct relationship could not be established between POS and turnover intentions (Allen et al., 2003) or between PIED and turnover intentions (C. H. Lee & N. T. Bruvold, 2003). In contrast, a negative relationship between PIED and intentions to turnover has been reported by other research (B. Kuvaas & Dysvik, 2010). These studies illustrate the inconsistent results of the relationship between PIED and turnover intentions. Within the literature two perspectives on investing in employee development are widely acknowledged. The first perspective on the relationship between training and development and employee turnover stems from human capital theory (Becker, 1962). It suggests that investing in employee development may contribute to the market value of employees and leads to increased turnover intentions. This is particularly true where investments are made in general skills, as this type of training tends to increase the productivity of employees in organisations other than their current place of work (Becker, 1962). It follows that human capital theory assumes that organisations will not pay for this development. However, several studies do demonstrate that firms will often pay the training costs when their workers participate in general employee development (Benson et al., 2004).

The other perspective, however, argues that by investing in employee development, their turnover intentions decrease (Benson et al., 2004; Sieben, 2007). Research has indicated that supportive HR practices, such as providing opportunities for employee development, affect the behaviour and attitudes of employees (Guest, 2002; Edgar and Geare, 2005; Muse and Stamper, 2007). In addition, Lee and Bruvold (2003) found that the investments in training employees contribute to the creation of positive perceptions of employees in the organisation's willingness to support their development. These perceptions are related to the psychological contract and are embedded in the context of social exchange theory (Blau, 1964; R. Eisenberger, Huntington, R., Hutchingson, S., & Sowa, D. , 1986). Positive perceptions cause employees to believe in a social exchange relationship between themselves and the organisation, which leads them to reciprocate (Wayne et al., 1997). Employees are more satisfied with their jobs and are more willing to contribute to a higher performance of the organisation (Arthur, 1994; Eisenberger et al., 2001). Therefore, PIED may have a positive or negative relationship with turnover intentions and, as the conflicting research suggests, further investigation on this relationship is needed to provide more clarification (Bøyum, 2012; C. H. Lee & N. T. Bruvold, 2003). The present study aims to contribute to employee development literature by providing clarity to these relationships.

Despite the inconsistent results with PIED and intention to leave, research on organisational support suggests that employees will be motivated to contribute to an extent that benefits the organisations if the organisation offers development opportunities (Bård Kuvaas & Dysvik, 2009; B. Kuvaas & Dysvik, 2010). Supporting employee development should cause feelings of being valued, which in turn should reduce the inclination to leave the organisation (Bøyum, 2012; C. H. Lee & N. T. Bruvold, 2003). In line with studies that has established a negative relationship with between POS (Guzzo, Noonan, & Elron, 1994) and PIED (B. Kuvaas & Dysvik, 2010) with turnover intentions, it is hypothesised that POS and PIED will have a negative relationship with turnover intentions.

*H5: POS, PIED, and T&D Expenditure will have negative relationships with turnover intentions.*

Social exchange theory puts forth that organisations that invest in their employees are likely to reciprocate in positive ways. Further, it suggests that employees who perceive a high level of organisational

support (i.e. POS) will feel an obligation to repay the organisation through positive attitudes and appropriate behaviours (R. Eisenberger et al., 2002). Research on POS further indicates that employees interpret organisational actions, such as investment in employee development, as an indicator of the organisation's commitment to them (Setton et al., 1996; Wayne et al., 1997). Accordingly, PIED may be viewed as a specialised HR-specific form of POS (B. Kuvaas & Dysvik, 2010). One way in which employees can 'repay' the organisation is demonstrating citizenship behaviours (C. Smith, Organ, & Near, 1983) and job engagement (A.M. Saks, 2006). This has been supported by previous research (C. H. Lee & N. T. Bruvold, 2003; A.M. Saks, 2006; Wayne et al., 1997). Therefore, it is hypothesized that:

*H6: POS, PIED, and T&D Expenditure will have a positive relationship with organisational citizenship behaviours and employee engagement.*

### **The Mediating Role of Psychological Contract Fulfilment**

Psychological contract fulfilment describes the extent to which one party to the contract deems the other has met its obligations (Morrison & Robinson, 1997). The employee's perspective is their belief of extent to which the employer fulfils its obligations to the worker (C. Lee et al., 2011). This fulfilment increases the likelihood that the worker places great trust in and reliance upon the employer (S. L. Robinson, 1996). Employer inducements should impact subsequent employee obligations to the degree the individual employee perceives the employer as having fulfilled its commitments (C. Lee et al., 2011). If inducements fail to fulfil obligations, their impact on further obligations should decrease (De Vos et al., 2003; C. Lee et al., 2011). In light of the present study, it is argued that inducements, such as support for the employee and their development and contributions in the form of reduced turnover intentions, increased demonstration of organisational citizenship behaviours (OCB), and higher levels of employee engagement will be mediated by the fulfilment of the psychological contract. Studies have called for the need to further investigate more mediating variables to develop a more complete understanding of the perceptions of investment in employee development and its consequences (Bøyum, 2012; C. H. Lee & N. T. Bruvold, 2003). Therefore, I hypothesise that:

*H7: Psychological contract fulfilment will mediate the relationship between an organisation's support for development (POS and PIED) and organisational outcomes.*

In sum, research is needing further direction and understanding of the impact training and development has on the contemporary employment relationship. This relationship is critical for researchers and organisations alike as the true ramifications of the resources spent on employee development every year are not truly understood. The focus of this study is to examine training and development expenditure in relation to the psychological contract fulfilment and its effect on organisational outcomes. The research design utilised a half-longitudinal design with predictors measured at Time 1 and organisational outcomes at Time 2.

## **Method**

### **Participants**

Participants were recruited from organisations around New Zealand in which most jobs entailed full-time desk-type work and operate a typical Monday – Friday standard office hour working week. In instances where organisations were recruited to participate in the study, permission was sought prior to accessing employees to participate in this study.

A total of 259 participants completed the Time 1 survey. A total of 88 participants completed the Time 2 survey. Data from 67 participants were omitted due to improper completion of the surveys, giving a final sample of 81 participants that completed both Time 1 and 2 surveys. Therefore, the final sample for this study is 81. The ages of the participants ranged from 15–56 years of age, and 60.5% of the participants were female ( $n = 49$ ) and 39.5% were male ( $n = 32$ ). The majority of the respondents indicated that they were between 40–44 years of age ( $n = 17$ ). The majority of the participants worked in the professional, scientific, technical, administrative and supportive service sector ( $n = 28$ ). The majority of the participants had been employed between 1-2 years ( $n = 25$ ) and between 3-5 years ( $n = 21$ ). The majority of participants worked for medium sized organisations, employing between 100-249 employees ( $n = 18$ ). Full information on the demographics can be found in the Appendix.

## **Materials**

### **Perceived Organisational Support (POS).**

POS was measured with an eight item scale developed by Eisenberger et al. (1986). Examples of the items include “The organisation strongly considers my goals and values” and “The organisation really cares about my well-being.” The items were rated on a 5-point Likert scale ranging from (1) never to (5) always. The Cronbach’s alpha coefficient for the POS scale was  $\alpha = .88$

### **Perceived Investment in Employee Development (PIED).**

Perception of investment in employees’ development (PIED) was measured with a nine-item scale developed by Lee and Bruvold (2003). Examples of the items include “My organisation trains employees on skills that prepare them for future jobs and career development” and “My organisation provides career counselling and planning assistance to employees”. The items were rated on a 7-point Likert scale ranging from (1) strongly disagree to (7) strongly agree. The Cronbach’s alpha coefficient for the PIED scale was  $\alpha = .88$ .

### **Psychological Contract Fulfilment.**

Employee perceptions of the extent to which the organisation obligations were fulfilled were adapted from measures used by Robinson (1996) and was measured at Time 2. The seven item measure captures the following obligations and the extent to which they were fulfilled: Promotion and advancement, high pay, pay based on current level of performance, training, long term job security, career development and sufficient power and responsibility. Participants responded on a five-point scale ranging from 'not at all fulfilled', to 'very fulfilled'. The Cronbach’s alpha coefficient for the PIED scale was  $\alpha = .90$ .

### **Turnover Intentions (TOI).**

Turnover intentions was measured with a two item scale, including “I often think about leaving my current employer” and “It is likely that I shall leave this organisation within the next year” (A.M. Saks, 2006). Similar items have been used in previous studies (e.g., Mayer, Allen, & Smith, 1993; Sager,



Grieffeth, & Hom, 1998). The items were assessed on a 5-point Likert-type scale, ranging from (1) strongly disagree to (5) strongly agree. The Cronbach's alpha coefficient for the scale was  $\alpha = .79$

### **Organisational Citizenship Behaviours (OCB).**

OCB was measured with a 17-item scale developed by Lee and Allen (2002). The OCB scale contains 17 questions with a seven-point Likert scale, ranging from (1) strongly disagree to (7) strongly agree. The OCB has two subscales that measures organisational citizenship behaviours directed towards individuals (OCBI) (e.g. "helps others who have been absent") and organisational citizenship behaviours directed towards the organisation (OCBO) (e.g. offers ideas to improve the functioning of the organization). The Cronbach's alpha coefficient for the scale was  $\alpha = .88$  for OCB composite measure,  $\alpha = .81$  for OCBI and  $\alpha = .85$  for OCBO.

### **Employee Engagement.**

Employee engagement was measured with a nine-item version of the Utrecht Work Engagement Scale (Schaufeli, Bakker, & Salanova, 2006). The Utrecht Work Engagement Scale items reflect three underlying dimensions, which are measured with three items each: vigour (e.g., "At my work, I feel bursting with energy"), dedication (e.g., "My job inspires me"), and absorption (e.g., "I get carried away when I am working"). All items of the employee engagement subscales were scored on a seven-point scale, ranging from (0) never to (6) always. The internal reliability analysis found the scales to be good, vigour ( $\alpha = .88$ ), dedication ( $\alpha = .85$ ), and absorption ( $\alpha = .89$ ). The composite score for employee engagement was also found to be excellent ( $\alpha = .91$ )

### **Training and Development Expenditure.**

The training and development expenditure was measured with a proxy of training days/hours. Participants were asked "How many days/hours training have you received in the last year", "How many days/hours training have you received in the last 3 months?" and " How many days/hours training have you received in the last month?". This was deemed an appropriate measure because it captures the total training expenditure at the individual level. This is key because this research investigated perceptions of the

individual. The T&D Expenditure measure was computed by calculating the amount of training days/hours received at a per month level.

## **Procedure**

Organisations were approached and asked if they would like to participate in the study. Once research approval was gained from the appropriate level, the HR manager or similar position, participants were emailed an invitation to participate in the research. This study also utilised the snowball method of recruitment whereby participants were asked if they were aware of anyone that would be interested in participating the research. They were given information regarding the nature of the study, that it was voluntary, and that there were inducements, namely the chance to win one of two \$100 grocery vouchers for completion of the two surveys.

The data was collected over two time points. Time 1 collected information on the participants' demographics, training and development expenditure, perceptions of investments in employee development, and perceived organisational support. Time 2 survey, conducted three months later, collected information on psychological contract fulfilment and employee attitudes (employee engagement, organisational citizenship behaviours, and turnover intentions.).

Employee responses were collected on-line, using Qualtrics online questionnaire tool, where the researcher has the capacity to create a survey and have it administered through the Qualtrics system. Employees could have also emailed or called the researcher to request a hard copy of the survey. No participants chose this option.

Participants were informed that their participation would involve completing two questionnaires, which asks questions regarding their perceptions of investments in employee development, as well as some ratings on work-related attitudes. The information sheet provided the participant full disclosure of the purpose of the study and that all information was treated as strictly as confidential and not used for any other purpose. Participation was voluntary and the participants could withdraw from the study at any time. It was also made clear to the participants that their employer was not provided the data.

The information sheet also informed the participants that their email addresses (if completed on-line)/mailing addresses (if completed as a hardcopy) was used to match the two surveys, but that this identifying information will not be used for any other purpose. Once the surveys had been matched, the email/mailing addresses were deleted. Participants were fully debriefed at the end of the study. Finally, at the end of the second survey, participants were given an opportunity to enter into a prize draw to win one of two \$100 grocery vouchers. This information was kept separate from the other data collected.

The study was reviewed and approved by the University's Human Ethics Committee.

## **Results**

### **Preliminary Analyses**

The assumptions of normality were evaluated before commencing data analyses. A Shapiro-Wilks test (Shapiro & Wilk 1965; Razali & Wah, 2011) ( $p > .05$ ) and visual inspection of histograms, normal Q-Q plots and box plots showed the residuals were approximately normally distributed. The data was tested for influential cases. As such, an individual subject's data containing extremely high or low values as compared to the remainder of the data may unduly influence the estimation of the regression line (Neter, Kutner, Nachtsheim, & Wasserman, 1996). Therefore, to identify any potentially influential data, Cook's Distance was utilized for all measurements. All values were below 1, as per recommended guideline (Chatterjee, 2000) and it did not identify any influential cases.

Screening for missing data was conducted prior to analysis. There were up to 67 cases with missing data on some items. Dialla (2000) recommends that listwise deletion is the safest method when the data are missing randomly. After the listwise method was applied, final Time 1 survey participation was 197 (down from 259) and Time 2 survey participation was 81 (down from 88).

The data was also screened for the presence of outliers. A score was considered to be an outlier if it was three or more standard deviations above or below the mean (Tabachnick & Fidell, 1996), resulting in two outliers being removed from the POS scale and one outlier removed from T&D Expenditure.

An exploratory factor analysis was performed to examine the dimensionality of the measures. Separate factor analyses were run for each data collection time. Factor analysis revealed that all items correlated at least .3 with at least one other item, suggesting suitable factorability. In addition, the communalities were all above .3, confirming sufficient common variance between each item. Finally, the Kaiser-Meyer-Olkin measure of sampling adequacy, which predicts if the data are likely to factor well, based on correlation and partial correlation, was .87 for Time 1 and .84 for Time 2, above the recommended value of .60. The Bartlett's test of sphericity, which verifies the assumption that the samples are from populations with equal variances, was significant for Time 1, ( $\chi^2(861)= 4983.91, p < .01$ ) and Time 2, ( $\chi^2(944)= 503.36, p < .01$ ).

The results of the factor analyses are shown in Tables 5 and 6 in the Appendix. Some items had high cross-loadings between two or more dimensions. To ensure the uni-dimensionality of the measurement of POS, Employee Engagement and OCB, some items were removed (Anderson & Gerbing, 1988). Specifically, items 5 and 7 were removed from the POS scale, item 6 from employee engagement, and items 11, 12, 14, and 16 were removed from the OCB scale. For the OCB scale and the employee engagement scale, only composite measures were used in analyses due to the high Cronbach's alpha coefficient scores.

A series of analyses were conducted to determine whether it was necessary to control for demographic variables in subsequent analyses (Age, Sex, Tenure, Industry). By eliminating control variables uncorrelated with the dependent variables, it avoided potential spurious effects that controls may have when they are significantly related to the predictor, but not the dependent variables (Kraimer et al., 2011). In separate regression analyses, only sex significantly predicted PIED and POS. An investigation of gender effects showed no interaction between gender and other predictor variables on any of the dependent variables ( $ps > .05$ ). Gender is therefore not included in further analyses.

## **Hypothesis Testing**

Table 7 shows the mean scores, standard deviations and scale ranges of the study variables.

Table 7

*Mean Scores, Standard Deviations and Scale Range of the Variables*

Scale	Mean	Standard Deviation	Range
T&D Expenditure	8.10	12.55	0-40
PIED	3.70	0.56	1-5
POS	3.70	0.72	1-5
Fulfilment	3.70	0.86	1-7
TOI	2.50	1.08	1-5
Engagement	3.90	0.82	1-5
OCB	5.10	0.99	1-7

*Note:* Training and Development Expenditure (T&D Expenditure), Perceived Investment in Employee Development (PIED), Perceived Organisation Support (POS), Turnover Intentions (TOI), Employee Engagement (Engagement), Organisational Citizenship Behaviours (OCB).

Correlation coefficients were calculated and regression analyses were conducted between the independent and dependent measures to investigate hypotheses 1 - 4. According to Cohen (1988) a correlation of .5–1.0 is of large effect, .3 –.5 is of moderate effect and .1 - .3 is a small effect. The correlation analyses are presented in Table 8 and the results of the regression analyses are presented in Table 9.

The correlation results indicated that the majority of relationships were significant and in the expected directions. Contrary to expectations, PIED was found to have non-significant relationships with Fulfilment. In addition, in contrast to expectations and previous literature, PIED was found to have non-significant relationship with turnover intentions (Tannenbaum et al., 1991; Sieben, 2007; Lee and Bruvold, 2003).

Table 8

*Correlations of Study Variables*

Variables	1	2	3	4	5	6
1. T&D Expenditure						
2. PIED	.27*					
3. POS	.12	.52**				
4. Fulfilment	.13	.17	.31**			
5. TOI	-.18	-.15	-.41**	-.46**		
6. Engagement	.03	.26*	.43**	.37**	-.51**	
7. OCB	.05	.28*	.42**	.09	-.22*	.66**

Note: n = 81

Training and Development Expenditure (T&D Expenditure), Perceived Investment in Employee Development (PIED), Perceived Organisation Support (POS), Turnover Intentions (TOI), Employee Engagement (Engagement), Organisational Citizenship Behaviours (OCB).

\* $p < .05$

\*\* $p < .001$

**Research Question 1: What is the relationship between training hours/days (proxy for training expenditure) and employees' perceptions of investments in employee development (PIED)?**

*H1: There is a positive relationship between T&D expenditure and PIED.*

As expected, there was a significant positive small correlation between T&D expenditure and PIED, ( $r = .27, p < .05$ ).

**Research Question 2: How does organisational support for development (training expenditure and PIED) influence psychological contract fulfilment over and above POS?**

*H2: There is a positive relationship between T&D expenditure and Psychological Contract Fulfilment.*

*H3: There is a positive relationship between POS and psychological contract fulfilment.*

No support for hypothesis 2 was found as the correlation was not statistically significant, ( $r = .13, ns$ ), but as expected, there was a moderate positive correlation between POS and psychological contract fulfilment ( $r = .31, p < .001$ ).

*H4: There is a positive relationship between PIED and psychological contract fulfilment.*

There was not a significant correlation between the two measures, ( $r = .17$ , ns).

To further investigate research question two, hierarchical regression analysis was conducted where psychological contract fulfilment was the dependent variable. POS was entered in at step one and PIED and T&D Expenditure at step two. The results indicated that at step one, POS explained a significant amount of the variance  $F(1,76) = 8.37, \beta = .32, p < .005, R^2 = .09$ . At step two, the introduction of PIED and T&D Expenditure did not significantly add to the prediction ( $\Delta R^2 = .00, F(1,76) = 2.73, p < .05$ ). These results suggest that after controlling for POS, PIED and T&D Expenditure did not add any prediction to the relationship with Fulfilment. Results are shown in Table 9. Multicollinearity of the predictors was assessed with the variance inflation factor (VIF), which assessed how much the variance of an estimated regression increases if the predictors are correlated. Results showed that the VIF's values were above one, indicating that the predictors were moderately correlated. However, all VIF values were below 5 and with tolerance levels above 0.2, indicating that multicollinearity was not a problem in this regression model (Belsley, Kuh, & Welsch, 2005).

Table 9

*Results of Hierarchical Regression Analyses of Organisational Support for Development on Psychological Contract Fulfilment*

Variable	<i>B</i>	<i>SE(B)</i>	$\beta$	<i>R</i> <sup>2</sup>	$\Delta R^2$
Step 1				.09	
POS	.43	.15	.32***		
Step 2					.00
POS	.44	.18	.32***		
PIED	-.02	.21	-.02		
T&D Expenditure	.00	.01	.02		

*Note: n = 81*

Perceived Investment in Employee Development (PIED), Perceived Organisation Support (POS), Training and Development Expenditure (T&D Expenditure)

\*\*\* $p < .001$

**Research question 3: What influence does organisational support for development have on organisational outcomes of turnover intentions, citizenship behaviours and employee engagement over and above POS?**

*H5: Organisational support for development (PIED and T&D Expenditure) will have negative relationships with turnover intentions (TOI) over and above POS.*

Hierarchical regression analysis was conducted in which POS was entered into the model at step one and PIED and T&D Expenditure were entered as step two. Hypothesis 5 was not supported, with POS explaining a significant amount of the variance ( $F(1,76) = 16.00, \beta = -.42, p < .001, R^2 = .16$ ). At Step two, the introduction of PIED and T&D Expenditure did not significantly add prediction to the model ( $F(1,76) = 5.80, ns, \Delta R^2 = .02$ ). These results suggest that after controlling for POS, organisational support for development (PIED and T&D Expenditure) did not add any prediction to the relationship with TOI.

*H6: Organisational support for development (PIED and T & D Expenditure) will have positive relationships with organisational citizenship behaviours (OCB) and Employee Engagement over and above POS?*

Hierarchical regression analysis was conducted in which POS was entered into the model at step 1 and PIED and T&D Expenditure were entered as step 2. POS explained a significant amount of the variance  $F(1,76) = 16.38, \beta = .37, p < .001, R^2 = .17$ . At step 2, the introduction of PIED and T&D Expenditure did not significantly add prediction to the model ( $F(1,76) = 5.59, ns, \Delta R^2 = .01$ ). These results suggest that after controlling for POS, organisational support for development (PIED and T&D Expenditure) did not add any prediction to the relationship with OCB.

Hierarchical regression analysis was conducted in which POS was entered into the model at step one and PIED and T&D Expenditure were entered as step two. POS explained a significant amount of the variance  $F(1,76) = 17.32, \beta = .43, p < .001, R^2 = .18$ . At Step two, the introduction of PIED and T&D Expenditure did not significantly add prediction to the model ( $F(1,76) = 5.71, ns, \Delta R^2 = .00$ ). These results suggest that after controlling for POS, organisational support for development (PIED and T&D Expenditure)



did not add any prediction to the relationship with employee engagement. Results of all hierarchical regression results are presented in Table 10 below

Table 10

*Results of Multiple Regression of Organisational Support for Development on Predicted Outcomes*

Outcomes	Predictors	<i>B</i>	<i>SE(B)</i>	$\beta$	<i>R</i> <sup>2</sup>	$\Delta R^2$
<b>TOI</b>						
	Step 1				.16	
	POS	-.71	.18	-.42***		
	Step 2					.02
	POS	-.78	.21	-.46***		
	PIED	.24	.24	.12		
	T&D	-.01	.01	-.11		
	Expenditure					
<b>OCB</b>						
	Step 1				.17	
	POS	.68	.17	.42***		
	Step 2					.01
	POS	.60	.20	.37***		
	PIED	.15	.23	.08		
	T&D	.00	.01	.03		
	Expenditure					
<b>Employee Engagement</b>						
	Step 1				.18	
	POS	.56	.14	.43***		
	Step 2					.00
	POS	.53	.16	.40***		
	PIED	.08	.19	.05		
	T&D	.00	.01	.01		
	Expenditure					

Note: *n* = 81

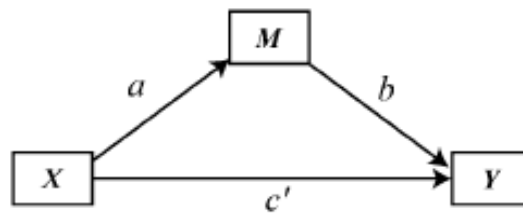
Perceived Investment in Employee Development (PIED), Perceived Organisation Support (POS), Training and Development Expenditure (T&D Expenditure).

\*\*\**p* < .001

**Does psychological contract fulfilment mediate the relationships between organisational support for development (T&D Expenditure and PIED) and POS with organisation outcomes (turnover intentions, organisation citizenship behaviours, and employee engagement)?**

*H7:* Psychological contract fulfilment will mediate the relationship between an organisation's support for employee development and organisational outcomes.

In order to test for the hypothesis that that psychological contract obligations and fulfilment would mediate the relationship between organisational support for development and organisational outcomes, regression analyses were conducted according to the specifications set out by Andrew Hayes' PROCESS (2013) for SPSS using model four. The model is depicted in figure 1 below.



*Figure 1:* Model 4 - Simple Mediation Model (Hayes & Preacher, 2013)

Current thinking does not impose the requirement that there be association between X and Y in order to test for indirect effects. In accordance with MacKinnon, Krull, and Lockwood (2000) and Shrout and Bolger (2002) and Hayes (2009), who recommend that researchers not require a significant total effect before proceeding with tests of indirect effects, PIED and T&D Expenditure are also included in the mediation analyses as predictors.

In Figure 1, *a* is the coefficient for X in a model predicting M from X, and *b* and *c'* are the coefficients in a model predicting Y from both M and X. *c'* quantifies the direct effect of X, whereas the product of *a* and *b* quantifies the indirect effect of X on Y through M. If all three variables are observed, then  $c = c' + ab$  and the indirect effect,  $ab$ , is the difference between the total and direct effect of X:  $ab = c - c'$ . The indirect effect is interpreted as the amount by which two cases who differ by one unit on X are expected to differ on through X's effect on M, which in turn affects Y. The direct effect is interpreted as the part of the

effect of  $X$  on  $Y$  that is independent of the pathway through  $M$ . In accordance with Rucker, Preacher, Tormala, and Petty (2011) recommendations, emphasis is placed on reporting the effect sizes rather than stating 'full mediation' or 'partial mediation'. To convey effect sizes, the size of an indirect effect can be directly computed, reported, and interpreted in their raw metrics;  $a \times b$  and  $c'$  are both changes in  $Y$  per unit change in  $X$ . The use of 'full' or 'partial' mediation is redundant if the goal is to simply convey effect sizes because the effect can be represented and understood using simply  $a \times b$  (Rucker et al., 2011).

POS was entered as the independent variable ( $X$ ) and TOI was entered as the outcome variable ( $Y$ ). As a test of mediation, fulfilment was entered as the mediator variable ( $M$ ). A significant relationship emerged ( $a = .43$ ) demonstrating a positive relationship between POS and psychological contract fulfilment. A second significant relationship emerged ( $b = -.46$ ) demonstrating a negative relationship between psychological contract fulfilment and TOI. A bias corrected bootstrap confidence interval for the indirect effect ( $ab = -.20$ ) based on 1000 bootstrap samples was entirely below zero (-.47 to -.05). There was evidence that the direct effect of POS on TOI of  $c' = -.51$  was statistically significant. Results suggest that there was a mediation effect of psychological contract between POS and TOI.

Further mediation analyses were conducted where POS was entered as the independent variable ( $X$ ) with employee engagement as the outcome variable ( $Y$ ). As a test of mediation, psychological contract fulfilment was entered as the mediator variable ( $M$ ). A significant relationship emerged ( $b = .25$ ) demonstrating a positive relationship between psychological contract fulfilment and Employee engagement. A bias corrected bootstrap confidence interval for the indirect effect ( $ab = .11$ ) based on 1000 bootstrap samples was entirely above zero (.01 to .31). There was evidence that the direct effect of POS on employee engagement of  $c' = .46$  was statistically significant. Results indicate there is a mediating effect of psychological contract fulfilment on the relationship between POS and Employee engagement.

Additional mediation analyses were performed according to other hypothesised relationships. All other results indicated non-significant mediation effects and are presented in Table 11.

Table 11

*Results of the Mediation Analyses*

X	Y	M	Direct effect ( <i>c'</i> )	Indirect effect ( <i>ab</i> )	95% CI - <i>indirect</i> <i>effects</i>		Sig
					Lower	Upper	
					bounds	Bounds	
<b>PIED</b>							
	TOI	Fulfilment	-.15	-.15	-.46	.02	ns
	Engagement		.30*	.09	-.01	.27	ns
	OCB		.49*	.02	-.06	.16	ns
<b>POS</b>							
	TOI	Fulfilment	-.51*	-.20	-.47	-.05	<i>p</i> < .05
	Engagement		.46*	.11	.01	.31	<i>p</i> < .05
	OCB		.70*	-.02	-.23	.11	ns
<b>T&amp;D Expenditure</b>							
	TOI	Fulfilment	-.02	-.01	-.01	.02	ns
	Engagement		-.00	.00	-.00	.01	ns
	OCB		.01	.00	-.00	.00	ns

Note: *n* = 81

Perceived Investment in Employee Development (PIED), Perceived Organisation Support (POS), Training and Development Expenditure (T&D Expenditure).

\**p* < .05

### Discussion

Organisations have realised the need to invest in human resources (HR) in an attempt to enhance their human capital. Investments in HR are needed to increase effort from employees to create a sustained competitive advantage (Ferrer, 2005). As competition for high-performing employees is increasing, employers must ensure that they are meeting their obligations, including the terms of the implicit, psychological contract, between the organisation and the employee. Despite the established link between psychological contract fulfilment and positive organisation outcomes, research lacks understanding of the mechanisms under which employees feel the psychological contract has been fulfilled (Lee, 2011). Therefore, this research sought to investigate the impact that training and development activities have on the

contemporary employee-employer relationship. I aimed to investigate how employees perceive and react to the amount of training-related support they receive. Specifically, my research investigated the role that employee development plays in the formation of the psychological contract fulfilment, over and above that of general organisational support. I also examined the role of psychological contract fulfilment as a mechanism through which perceptions of organisational support for development have on organisational attitudes, intentions and behaviours, specifically, organisational citizenship behaviours, employee engagement, and turnover intentions. Training and development expenditure, perceived organisational support, and perceived investment in employee development were investigated as predictors of psychological contract fulfilment. Finally, psychological contract fulfilment was investigated as a mediator between the relationship organisational support for development and organisational outcomes. A discussion of these findings of the present study will be presented in the next section followed by limitations and directions for future research, practical implications, and concluding remarks.

The first research question investigated the relationship between T&D Expenditure and PIED. The first hypothesis stated that higher levels of T&D Expenditure (as measured by training hours per month) will lead to higher levels of PIED. Results from the correlation analysis indicated that there was a significant moderate positive relationship between T&D Expenditure and PIED. Importantly, this is the first study, known to the author, to have examined this relationship. The relationship between T&D Expenditure appears to be straight-forward; as organisations provide training for employees they perceive that there is greater opportunities for growth (Lee & Bruvold, 2003). This relationship, despite its simplicity, is a critical for positive organisational outcomes (K. Bartlett & Kang, 2004; K. R. Bartlett, 2001; Alan M Saks, 1995). That is, it is important to demonstrate that when organisations actually provide training for staff, it is viewed as an investment by the individual in a positive way. De Vos and Meanck (2009) argue that it is critical that organisations pay attention to employees' high expectations for continuous development, particularly with regards to the psychological contract. In the age of the 'War for Talent' (Axelrod, 2003), the perception of being an employer that wants to readily invest in its employees might be a key driver in overcoming talent shortages. The present study's findings suggest that employees do actively pay attention to the investment that the employer is making.

The second research question investigated the relationship between organisational support for development, POS and the fulfilment of the psychological contract. A research gap exists in investigating this relationship, which the present study sought to investigate. The findings indicated support only for hypothesis three, which stated that POS would have a positive relationship with Fulfilment. However, hypotheses two and four, which stated that T&D Expenditure and PIED would have a positive relationship with Fulfilment, were not supported. However, it is noteworthy that the correlation between POS and PIED was large, indicating that these two variables may be measuring similar aspects of employees' attitudes.

Further investigation into research question two was conducted where hierarchical regression analyses provided support that POS was the only significant predictor of Fulfilment. Contrary to expectations, the role of employee development did not add any significant prediction to the model over and above organisational support. In previous research POS has been shown to have a positive influence on the fulfillment of the psychological contract (Chambel & Alcover, 2011; Conway, Guest, & Trenberth, 2011; Ehrhardt et al., 2011; Freese, Schalk, & Croon, 2011; Kraimer et al., 2011; C. Lee et al., 2011). This study therefore replicates the findings using a half-longitudinal design, and demonstrates that perceptions specifically related to the developmental aspects of support do not add significantly to the perceptions that the employer has fulfilled their side of the psychological contract. Similarly to POS, the theoretical justification for employee development playing a significant role in the perceptions of fulfilment can be found in social exchange theory (Robert Eisenberger et al., 1986). Inducements, like opportunities for development, were expected to have symbolic value, which is relevant to the psychological contract since they serve to demonstrate the continued commitment the company has with its employees (Rainbird, 1994). However, the current study demonstrates that Fulfilment captures the overall level of support given by the organisation and is not specific to employee development. It is noteworthy that only one question in the measure of psychological contract fulfillment was related specifically to development, and therefore it is logical that POS, which also measures employee perceptions in the general level, and fulfilment have a stronger relationship than that with PIED or T&D Expenditure.

Investigation into research question three investigated the relationship between organisational support for development and outcomes of turnover intentions, employee engagement and organisational citizenship behaviours. Hierarchical regression analyses showed that POS significantly predicted turnover intentions but that organisational support for development (T&D Expenditure and PIED) did not add any additional prediction to the model. These findings indicate that organisational support plays an important part in reducing intentions to leave and is critical to a successful retention strategy (Coyle-Shapiro & Kessler, 2002; Robert Eisenberger et al., 1986). Explanation of the mechanisms underlying these relationships will be discussed below.

Further investigation into research question three showed that organizational support significantly predicted OCB and employee engagement. Although there was a significant correlation between PIED and OCB and employee engagement, only POS was a significant predictor when all predictors were entered into the regression model. The role of organisational support for development, once controlling for POS, did not add any additional prediction to the model.

This study replicates previous findings, which suggest that when there are increased levels of organisational support, employees will think less about leaving, demonstrate more pro-social behaviours, and become more engaged in their work (Coyle-Shapiro & Kessler, 2002; Robert Eisenberger et al., 1986). This research also supports the concept of Social Exchange Theory (SET) (Blau, 1964) which argues that the norm of reciprocity is the mechanism through which support leads to positive organisational outcomes (De Vos et al., 2003; C. Lee et al., 2011).

Finally, research question four asked whether psychological contract fulfilment mediates the relationship between organisational support for development, POS and organisational outcomes. Results indicated that the mechanism through which POS influences important organisational outcomes is through the fulfilment of the psychological contract. Direct effect was also found between POS and OCB. In addition, these results indicate that PIED is related to OCB and employee engagement, which is consistent with the bi-variate correlations between the variables. However, no significant direct or indirect effects were

found between T&D Expenditure and Fulfilment and any organisational outcomes. This is consistent with the bi-variate correlations between the variables.

Overall, the findings of the study highlight the critical influence that overall organisational support has on employees. This research demonstrates that organisations that are perceived to be supportive of their employees can expect the perception of the psychological contract being fulfilled, which relates to less negative withdrawal attitudes, and a more engaged workforce. With regards to the role of PIED, the results suggest that although it is important for organisational citizenship behaviours and employee engagement, the overall support employees receive from their organisation is more important.

It was curious that T&D expenditure did not influence the perceptions of psychological contract fulfilment or organisational outcomes. A number of explanations can be offered to explain these results. First, T&D expenditure is clearly just a small aspect of what makes employees think employers are fulfilling their end of the 'deal'. Second, the type of training received was not measured in the present study. Informal training received from colleagues, for example, may not have been captured by the present measure, while this type of informal training is increasingly important for employee development (Ravenscroft, Schmidt, Cook, & Bradley, 2012; Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012; Tannenbaum, Beard, McNall, & Salas, 2010). Further, as the T&D expenditure scale did not capture the type of training that occurred, it is possible that not all training is viewed as an investment. For example, employees may not perceive a compulsory health and safety training as an investment on the part of their employer as compared to, for example, executive development programmes. It is therefore possible that the measure used in the current study may have included both positively and negatively perceived training opportunities, resulting in non-significant relationships with organisational outcomes. It may be that investment in training that employees perceive as valuable, whether that be in their current position or valuable in the sense that another employer may see the acquired skills as useful, may lead to positive outcomes. This suggestion could possibly be an explanation for the inconsistent findings with PIED and TOI in previous studies (Bøyum, 2012; Lee & Bruvold, 2003; C. Lee et al., 2011; Malik et al., 2011). The findings cannot be strictly interpreted as discrediting the important role employee development has in perceptions of psychological contract



fulfilment or positive organisational outcomes. By measuring perceptions of fulfilment in the psychological contract relating to training and development only, the findings may have been clearer with regards to this relationship. However, further research is needed to determine what type of and how much training is most effective at motivating employees toward positive behaviours.

Despite these issues, the results can be interpreted to suggest that expensive, formal training programmes such as executive leadership programmes or Master of Business Administration qualifications may not necessarily be required to maximise employee attitudes or behaviours. While fiscal investment in development is no doubt important, the present study suggests that being supportive in other ways, for example, by showing concern for your staff, can lead to positive employee behaviours and attitudes. This may be interpreted as positive news for cash-strapped organisations or those still emerging from the GFC, as there seems to be other ways in which the psychological contract can be fulfilled. Moreover, the results, again, support the role that SET (Blau, 1964) and the norm of reciprocity play in the contemporary employment relationship.

### **Limitations and Future Research Directions**

The results of this study should be considered in light of its limitations. When considering the generalisability of the findings, several potential limitations should be noted. Similar to other research in this area (May, Gilson, & Harter, 2004; Rothbard, 2001; A.M. Saks, 2006; Schaufeli & Bakker, 2004; Sonnentag, 2003) this study utilised self-reported data. Potentially exacerbated by the rise of informal training (Tannenbaum et al., 2010), participants may have had trouble recalling the amount of training they received. Future research should therefore use data from multiple resources. For instance, managers could assess how much and what types of development support are provided for their employees. These measures could be compared to the employees' perceptions of organisational support for development. Also this present study utilised a half longitudinal design with two time points. Unfortunately, many participants that completed the Time 1 survey did not complete the Time 2 survey significantly reducing the total sample size. As a consequence of a small total sample size of 81 participants, it is possible that some effects were not found. Another concern is that the psychological contract fulfilment scale captures many aspects of the

employment relationship, however, the findings may have been clearer if the study measured fulfilment perceptions specifically related to training and development.

The findings in this study extend the discussion on training and the psychological contract. Organisations constantly struggle with determining return on investment and even a small contribution to understand the links to positive outcomes are important. If training is going to be seen for the value it brings, more still needs to be researched and explored on these topics to determine the full implications of investing in employees. For researchers who continue to study these variables, data should be gathered from multiple resources. Self-report data are a great resource for gathering vast amounts of information with fewer resources used, but future research using this should be followed up by, or combined with, more rigorous methods of data collection such as observations and review of actual reports and records. This would allow for strengthened results and conclusions to be drawn from the data.

The current study found support for the positive effect PIED has organisational outcomes. However, the construct of PIED deserves more examination. Investing in employee development is a key principle in maintaining and developing the skills, knowledge and abilities of both individual employees and the organisation as a whole (Lee & Bruvold, 2003) but little research exists as to why reactions to training matter (Fehr & Schmidt, 2007). Therefore, further examination is needed on whether employee development actually impacts employee outcomes. In addition, research is needed as to what impacts on PIED. What are the specific training interventions that lead to increased levels of PIED throughout the organisation? What organisational outcomes is PIED be linked to? Despite the vast amounts resources poured into training and development, the relative affect on organisational outcomes and work-related attitudes is largely unknown.

### **Practical Implications**

Reliable knowledge about factors that promote positive organisational outcomes is invaluable to organisations. The present study showed that organisational support is of great importance when it comes to positive employee attitudes, intentions and behaviours. Further, the study showed that organisational support plays a key role in the fulfilment of the psychological contract. Although firms may provide extensive

training and development programmes to enhance the organisation's human resources, the employees need to perceive that they are supported overall. Therefore, organisations need to manage support levels and ensure developmental opportunities are communicated at all levels to enhance the learning environment for all employees (De Vos et al., 2011). Moreover, to maximise the benefits of employee development, it may be wise for organisations to ask what training and development initiatives employees would most value. These factors should be considered as critical elements of the strategic human resource plan.

The results of this study and others (Hall, Hutchinson, Parker, Purcell, & Terry, 2007; Purcell, 2008) highlight the importance of supporting employees. As mentioned previously, an important interpretation of these results is the value in alternative, potentially cheaper, forms of organisational support. This could lead to employees feeling that the organisation has met its 'end' of the psychological contract, or be motivated to contribute positively towards that organisation, or both. Organisational programmes that seek feedback on employees' needs and concerns (e.g. focus groups, surveys, and suggestion programmes), demonstrate caring and support (e.g. flexible work arrangements), and providing ample opportunities for employees to learn and obtain new skills and competencies (e.g. career counselling, planning assistance, providing information about internal job openings, regularly assessing employees' skills and interests) is likely to cause employees to reciprocate positively, in line with SET (Blau, 1964).

Supporting previous research (Coyle-Shapiro, 2002), this research indicates that POS is an important driver of psychological contract fulfilment. Therefore, an approach to improve organisational practice would be to support their line managers to show concern of their employees. Rhoades and Eisenberger (2002) suggested that employees develop general views concerning the degree to which supervisors value their contributions and care about their well-being. Further, because supervisors act as agents of the organisation, having responsibility for directing and evaluating subordinates' performance, employees view their line manager's favourable or unfavourable orientation toward them as indicative of the organisations support (R. Eisenberger, Huntington, R., Hutchinson, S., & Sowa, D. , 1986). McGovern et al. (1997) and others (Hall et al., 2007; Purcell, 2008) point to several organisational constraints that prevent line managers from executing their HR responsibilities well, for example, lack of training and support from HR specialists, high

workloads, and short-termism. Accordingly, organisations should pay more attention to the degree to which it is possible to implement HR practices in a 'user friendly' way (Hall et al., 2007) to enhance positive organisational outcomes from their employees.

### **Concluding Remarks**

Leveraging the maximum from human capital has become a 'holy grail' of sustained competitive advantage, particularly in the context of the changing employment relationship and increasingly competitive global environment. Based on the findings, organisational support leads to the perception that the organisations have fulfilled the psychological contract, resulting in more positive organisational outcomes. The total amount invested in employee development appears not have an effect on meeting expectations or endearing employees to expend more effort for the organisations benefit. Rather it is the overall support and perceived opportunities for development that appear to have more effect in convincing employees to reciprocate in positive ways. Altogether the present study contributes to a better understanding of how employees react to the support they receive, and highlights the importance of a caring and supportive working environment for all.

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Table 1

*Frequency Analysis of Gender and Age*

<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Total</u>
15 – 19	9	1	10
20 – 24	5	6	11
25 – 29	5	5	10
30 – 34	10	4	14
35 - 39	6	4	10
40 – 44	9	8	17
45 – 49	2	2	4
50 – 54	2	1	3
55 +	1	1	2
Totals	49	32	81

Table 2

*Frequency Analysis of Tenure*

<u>Tenure (years)</u>	<u>Frequency</u>	<u>%</u>
< 1	7	8.6
1 – 2	25	30.9
3 – 5	21	25.9
6 – 10	17	21
10 +	11	13.6
Totals	81	100

Table 3

*Frequency Analysis of Organisation Size*

<u>Size of organisation (employees)</u>	<u>Frequency</u>	<u>%</u>
1 – 4	3	3.7
5 – 9	13	16.1
10 – 19	15	18.5
20 – 49	12	14.8
50 – 99	6	7.4
100 – 249	18	22.2
250 – 499	9	11.1
500 – 999	2	2.5
1,000 +	3	3.7
Totals	81	100

Table 4

*Frequency Analysis of Industry*

<u>Industry</u>	<u>Frequency</u>	<u>%</u>
Agriculture, forestry and fishing	2	2.5
Mining	1	1.2
Manufacturing	2	2.5
Electricity, gas, water and waste services	4	4.9
Construction	0	0
Wholesale trade	1	1.2
Retail trade and accommodation	14	17.3
Transportation, postal and warehousing	9	11.1
Information media and telecommunications	1	1.2
Finance and insurance services	6	7.4
Rental, hiring and real estate services	10	12.4
Professional, scientific, technical, administrative and supportive services	28	34.6
Public administration and safety	0	0
Education and training	0	0
Arts, recreation and other services	1	1.2
Health care or social assistance	2	2.5
Totals	81	100

Table 5

*Exploratory Factor Analysis – Time 1*

<u>Items</u>	<u>Factors</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
<u>Perceived Investment in Employee Development</u>			
My organisation trains employees on skills that prepare them for future job and career development.	<b>.563</b>		
My organisation provides career counselling and planning assistance to employees.	<b>.538</b>		
My organisation provides support when employees decide to obtain ongoing training.	<b>.725</b>		.426
My organisation allows employees to have time to learn new skills that prepare them for future jobs.	<b>.717</b>		
My organisation is receptive to employees' requests for lateral transfers.	<b>.627</b>		
My organisation ensures that employees can expect confidentially when consulting staff.	<b>.406</b>		
My organisation is fully supportive of career management programmes for employees.	<b>.724</b>		.401
My organisation provides employees with information on the availability of job openings inside the organisation.	<b>.760</b>		
My organisation provides a systematic programme that regularly assesses employees skills and interests	<b>.685</b>		
<u>Perceived Organisational Support</u>			

The organisation strongly considers my goals and values.	<b>.411</b>	.
Help is available from the organisation when I have a problem.	<b>.601</b>	
The organisation really cares about my well-being.	<b>.959</b>	.407
The organisation is willing to extend itself in order to help me perform my job to the best of my ability.	<b>.800</b>	
Even if I did the best job possible, the organisation would fail to notice.	<b>.744</b>	
The organisation cares about my general satisfaction at work.	<b>.519</b>	
The organisation shows very little concern for me.	<b>.527</b>	.426
The organisation cares about my opinions.	<b>.411</b>	
The organisation takes pride in my accomplishments at work.	<b>.601</b>	



Table 6

*Exploratory Factor Analysis – Time 2*

<u>Items</u>	<u>Factors</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Psychological Contract Fulfilment</u>					
Promotion and advancement.			<b>.890</b>		
High pay.			<b>.756</b>		
Pay based on current level of performance.			<b>.831</b>		
Training.			<b>.778</b>		
Long-term job security.			<b>.664</b>		.433
Career development.			<b>.754</b>		
Sufficient power and responsibility.			<b>.740</b>		
<u>Employee Engagement</u>					
When I'm doing my work, I feel bursting with energy.	<b>.809</b>				
I feel energetic and capable when I'm working.	<b>.725</b>				
I am enthusiastic about my work.	<b>.788</b>				
My work inspires me.	<b>.810</b>				
When I get up in the morning, I feel like going to work.	<b>.622</b>				
I am proud of my work.	<b>.662</b>				

I am immersed in my work.	<b>.814</b>	
I get carried away when I am working.	<b>.639</b>	.414
<u>Organisational Citizenship Behaviours</u>		
I help others who have been absent.	<b>.800</b>	
I willingly give my time to help others who have work-related problems.	<b>.757</b>	
I adjust my work schedule to accommodate other employees' requests for time off.	<b>.634</b>	
I go out of the way to make newer employees feel welcome in the work group.	<b>.880</b>	
I show genuine concern and courtesy toward co-workers, even under the most trying business or personal situations.	<b>.827</b>	
I assist others with their duties.	<b>.759</b>	
I attend functions that are not required but that help the organisational image.		<b>.924</b>
I keep up with developments in the organisation.		<b>.880</b>
I defend the organisation when other employees criticize it.		<b>.759</b>
I express loyalty toward the organisation.		<b>.537</b>
I take action to protect the organisation from potential problems.		<b>.461</b>

Turnover Intentions

I often think about leaving my current employer.	-408	<b>-.596</b>
It is likely that I shall leave this organisation within the next year.		<b>-.753</b>