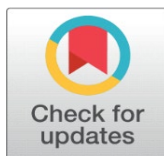


PSYCHOLOGICAL CONTRACT AND ITS IMPLICATIONS ON FACULTY RETENTION IN HIGHER EDUCATION SECTOR OF PUNJAB

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DOI

[10.29121/shodhkosh.v5.i5.2024.6285](https://doi.org/10.29121/shodhkosh.v5.i5.2024.6285)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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ABSTRACT

This study examines the influence of psychological contract dimensions on employee retention in higher education institutions, focusing on both public and private sector organizations in Punjab. Using a structured questionnaire and a sample of 473 full-time academic staff, exploratory factor analysis (EFA) identified five key dimensions of the psychological contract: transactional, training and development, relational, balanced, and socio-emotional fulfillment. Structural equation modeling (SEM) was applied to assess the impact of each dimension on employee retention. The results revealed that training and development, relational, transactional, and balanced contracts significantly and positively influence retention, with training and development emerging as the most influential. However, socio-emotional fulfillment did not have a significant impact. The study highlights the importance of aligning organizational practices with employee expectations to foster long-term commitment. These findings offer practical implications for human resource strategies aimed at improving retention and contribute to the theoretical understanding of psychological contracts in academic settings.

1. INTRODUCTION

An organization is made up of norms, traits, and frameworks which are specific to handling the important aspects of the association. The foundation of the organization is an underlying structure which creates the division of work into units in such a particular method that it deals with all the significant elements of the association very efficiently. The components of this very structure collaborate with each other in such a manner that it creates an authoritative organizational structure. While the success of any organization relies on many components but the greatest forerunners of any organization are its faculty members (Weick, 1979). They come with their own expectations attached. Fulfilling these expectations is extremely important in order to retain the faculty. Many universities that cover a wide range of courses and streams currently call Punjab their home. There are 146 Higher Education institutions in Punjab according to the AISHE report for academic year 2021-22. Considering the territory of state, the accomplishment is exemplary.

This research work focuses on subtopics that include psychological contract, and employee retention in higher education institutes of Punjab.

1.1. CONCEPTUALIZING PSYCHOLOGICAL CONTRACT

The origin of the term psychological contract can be traced back to early 1960s in the works of Argyris (1960) who used the term to describe observed mutual respect between foremen and workers. The term was further elaborated at almost the same time but independently by Levinson, Price, Munden, and Solley (1962). They defined the term psychological contract as a series of mutual, implied and unspoken expectations that the parties to a relationship hold from each other. These unsaid expectations govern the relationship between said parties. Major developmental work on psychological contract has been conducted by Denise Rousseau from late 1980s, who described psychological contract constructs as underdeveloped and misunderstood, which needed clarity.

Business world today is undergoing rapid changes, with noticeable blurring of lines between personal and professional spheres of individuals, a dynamic tool such as psychological contract becomes all the more important. It helps voice the unspoken expectations and varied perceptions of parties to an employment contract. It is ever evolving in nature and therefore keeps forming slowly and gradually throughout the employment period. It is because of such nature of the psychological contract that it voices the unspoken expectations, the feeling of breach of this contract is usually very intense. According to Rousseau (1989), a psychological contract is best understood when it passes through a breach.

1.2. EMPLOYEE RETENTION

Employee retention is not just the ability of an organization to retain its employees over a period of time and to minimize the turnover rates, but also to make them feel valued, engaged, motivated (Horwitz et al., 2003). More specifically in the higher education sector, faculty retention is of greater significance because they are essential to the academic mission of the institutions. They are the ones who are responsible for delivering quality education, mentoring students, conducting research and contributing to the overall academic community.

High faculty turnover can bring about several negative outcomes such as loss of institutional knowledge, disruption in student learning, increased recruitment and training costs. Retaining the staff on the other hand contributes towards a stable academic environment and a sense of community within the institution.

2. LITERATURE REVIEW

Osteraker (1999) states that there are three types of elements that affect employee retention: mental, social, and physical. Mental element discusses job features including flexible work schedules that allow for the application of judgment and self-awareness. The social dimension discusses the relationships that employees have both internally and externally. The physical aspect mostly indicates the pay and working circumstances.

Lee, G. (2001) states that in the transient global business world, the employer-employee relationship is shifting more towards a transactional relationship. A transactional relationship is characterized as a short term, less-relational and work content focused. This transactional paradigm is in contrast with organization's need of holding on to its core, skill, knowledge holding key employees in order to sustain its competitive advantage. Therefore, there is a need to form psychological contracts which focus on long term relation building.

Tekleab and Taylor (2003), emphasise that a contract is always a reciprocal collection of duties between two parties. Any type of infringement by one party is considered to lead to further violations by the other. This ultimately damages the quality of work exchange and jeopardizes the relationship's continued existence.

Glebbeek and Bax (2004), articulate that HR managers need to be aware of the ideal turnover rate for the company they work for. This turnover rate also needs to be connected to some of the elements that affect retention and turnover expenses. To avoid extra expenses and the detrimental impact of such turnover on the organization's performance, some of these elements must be managed as they fall under the purview of the business policy.

De Vos and Meganck (2008) looked at elements of human resource management and factors influencing retention policies. Offering career prospects and financial rewards are two retention variables that can be used to achieve the necessary levels of commitment and loyalty.

Bloome, Van, and Tromp (2010), put forward a connection between intention to leave the company and psychological contract. According to their findings, women are more likely than males to intend to leave their jobs. Women's intentions to leave are linked to work-family balance and promotion chances, but men's intentions are linked to how clear the job description is. Additionally, the results of their study indicated that age plays a crucial role in explaining the intention to depart. The likelihood that a person will leave their employer increases with age, as does their level of loyalty to the company.

Mahal (2012) points out that a positive work atmosphere that encourages two-way communication and recognizes and rewards hard effort is necessary to retain the desired staff for an extended length of time. Additionally, appropriate arrangements for salary, training and development, and support culture must be made.

Van der Smissen et al. (2013) investigated how employees' attitudes toward organizational change frequency affected their ability to fulfill their psychological contract duties, both positively and negatively. Employees who believe their responsibilities are being fulfilled are less likely to have plans to leave their jobs, be aggressive at work, or be careless with their work.

Nwokocha, I. (2015) stated that there exists a linkage between psychological contract and employee retention and this linkage effects the organizational output. Psychological contract i.e. the implicit expectations of both the parties to a contract need to be managed properly from the very start i.e. the recruitment and induction stages. The communication needs to be clear and two ways, involvement in decision making should be taken seriously by organizations.

Chih, Y., et al., (2016) in their research work conducted in two countries, China and Philippines, found that younger employees are more likely to feel emotionally exhausted and display intentions to quit over psychological contract breach as compared to old employees. This means that organizations should focus more on supporting and managing the psychological contract expectations of younger employees.

Nayak, Jena, and Patnaik (2021), state that knowledge management has become crucial in today's knowledge-driven businesses in order to keep staff on board for longer. Organizations' efforts to increase turnover and personal value are hampered by knowledge hoarding. One suggested answer is to shape the company culture so that critical evaluation and open, two-way communication are ingrained as the method of working.

Said et al. (2021) in their study emphasized the connection between psychological contract breakdown, organizational mistrust, and turnover intents and emotional weariness. Employee mistrust of the organization has been observed as a result of managerial choices. Therefore, in order to maintain employee motivation, management needs to be able to handle crisis circumstances effectively. Effective communication between employers and employees has been proposed as a means of mitigating the perception of psychological contract violations. Programs for crisis management, financial assistance, and supportive mechanisms are further recommended approaches.

Alzaid, D., et al. (2023), concentrate on employee branding and retention enhancers to keep talented workers. Employees are led to believe that their companies have a strong brand and that they should remain with them for a longer amount of time as a result of this process. Employer branding, which encompasses a healthy work-life balance, compensation, CSR, training, and development, has a good effect on employee retention, according to this study, which also expands on the social exchange theory (economic and socio-emotional exchanges) that is currently in use. Furthermore, there is a positive correlation between relational psychological contract and employer branding. Similar to earlier research, this study identifies the relational psychological contract as a factor that precedes employee retention. Employees that have their relational psychological contract met will therefore remain with the company for a long time.

2.1. OBJECTIVES OF THE STUDY

This research work is an attempt to study the Role of Psychological Contract in Employee Retention. The specific objectives of this research study are:

- 1) To explore the dimensions of the psychological contract among employees working in the Public and Private higher education institutes.
- 2) To study the impact of each dimension of the psychological contract on employee retention.

3. RESEARCH METHODOLOGY

Target Population:

The target population for this study comprises full-time employees working in public and private higher education institutions in Punjab. A population is defined as a group whose members share certain specific attributes relevant to the research. This population was selected to ensure the findings of the study could be meaningfully generalized to the context of academic employment in higher education.

Sampling Frame:

The sampling frame included employees from six higher education institutions in Punjab—three public and three private universities. The institutions were chosen to ensure representation across institutional types and were selected based on accreditation status and recognition by regulatory bodies.

Sampling Technique:

A non-probability purposive sampling technique was employed to select respondents. This approach enabled the researcher to specifically target individuals who met the defined criteria and who could provide relevant insights into the psychological contract and employee retention within academic institutions.

Sampling Criteria:

To ensure the quality and relevance of the data, the following inclusion and exclusion criteria were applied:

- **Inclusion Criteria:**

- 1) Employees who have been working in the institution for at least six months.
- 2) Full-time staff members employed in academic roles.

- **Exclusion Criteria:**

- 1) Employees working on a contractual or part-time basis.
- 2) Employees who have not completed six months in the current institution.

Sample Size and Response Rate:

A total of 500 questionnaires were distributed across the selected institutions. Out of these, 473 complete and valid responses were received, resulting in a high response rate of 94.6%, which is considered satisfactory for academic research.

Data Collection Procedure:

Data were collected using a structured, self-administered questionnaire. The questionnaire was distributed physically and digitally, depending on the logistical feasibility and preferences of the institutions and respondents. Participation was voluntary, and confidentiality of responses was assured.

Survey Instrument:

The survey instrument consisted of two sections. The first section collected demographic information such as age, gender, educational qualification, job tenure, and type of institution. The second section measured the dimensions of the psychological contract and employee retention using previously validated scales. These scales were adapted from established studies (Coyle-Shapiro & Kessler, 2000; Soares & Mosquera, 2019; Bal et al., 2010; Kyndt et al., 2009) and modified slightly to align with the academic institutional context. A five-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree") was used for all measurement items.

4. RESULTS

Table 1 Demographic profile of the respondents:

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	246	52.00%
	Female	227	48.00%
Age Group	Below 30 years	85	18.00%

	31–40 years	182	38.50%
	41–50 years	137	29.00%
	Above 50 years	69	14.60%
Type of Institution	Public University	237	50.10%
	Private University	236	49.90%
Education Qualification	Postgraduate	168	35.50%
	M.Phil	112	23.70%
	Ph.D.	193	40.80%
Job Tenure	6 months – 2 years	79	16.70%
	2 – 5 years	134	28.30%
	5 – 10 years	154	32.60%
	More than 10 years	106	22.40%

The demographic profile reflects a balanced representation across gender, with 52% male and 48% female respondents. The largest age group is 31–40 years (38.5%), indicating that the sample primarily includes mid-career professionals. An almost equal split between public (50.1%) and private (49.9%) university faculty ensures institutional diversity. In terms of education, a significant proportion of respondents (40.8%) hold a Ph.D., followed by postgraduates (35.5%), indicating a highly qualified academic sample. The majority have substantial experience, with 60% having more than 5 years of service, reinforcing the reliability of their responses regarding institutional retention and psychological contract experiences.

5. EXPLORATION OF FACTORS OF PSYCHOLOGICAL CONTRACT

To address the first objective of the study—to explore the dimensions of the psychological contract among employees working in public and private higher education institutions—Exploratory Factor Analysis (EFA) was employed. EFA is a statistical technique used to identify the underlying structure of a set of variables by grouping correlated items into common factors or dimensions. This method is particularly useful when the dimensionality of a construct is not firmly established in a specific context, such as the higher education sector in Punjab. Given that psychological contract perceptions may vary across sectors, institutions, and cultural environments, EFA provides an empirical basis for understanding how employees interpret and organize their psychological expectations and obligations.

The analysis was conducted using principal component analysis with varimax rotation to ensure greater interpretability of factors. Before performing EFA, data suitability was assessed through the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. Only those items with factor loadings greater than 0.50 and no significant cross-loadings were retained to ensure reliability and construct clarity. The final factor solution revealed multiple distinct dimensions of the psychological contract, reflecting the varied expectations that employees hold toward their institutions. These emergent factors formed the foundation for further hypothesis testing and model validation in subsequent analyses.

Sample Adequacy Test: To ensure the appropriateness of data for factor analysis, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity (BTS) were conducted. The KMO test assesses whether the partial correlations among variables are small, which is a requirement for reliable factor analysis. Meanwhile, Bartlett's Test checks the hypothesis that the correlation matrix is an identity matrix, i.e., that variables are unrelated and unsuitable for structure detection.

Table 2 KMO Test

Measure	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.789

Bartlett's Test of Sphericity – Approx. Chi-Square	8453.216
Degrees of Freedom (df)	378
Significance (Sig.)	0

As shown in Table, the KMO value is 0.789, which exceeds the minimum recommended threshold of 0.70, indicating meritorious sampling adequacy. Additionally, Bartlett's Test of Sphericity yielded a Chi-square value of 8453.216 (df = 378, $p < 0.001$), signifying that the correlations among items are sufficiently large for EFA. With both conditions met, the study proceeded with Exploratory Factor Analysis to uncover the latent dimensions of the psychological contract.

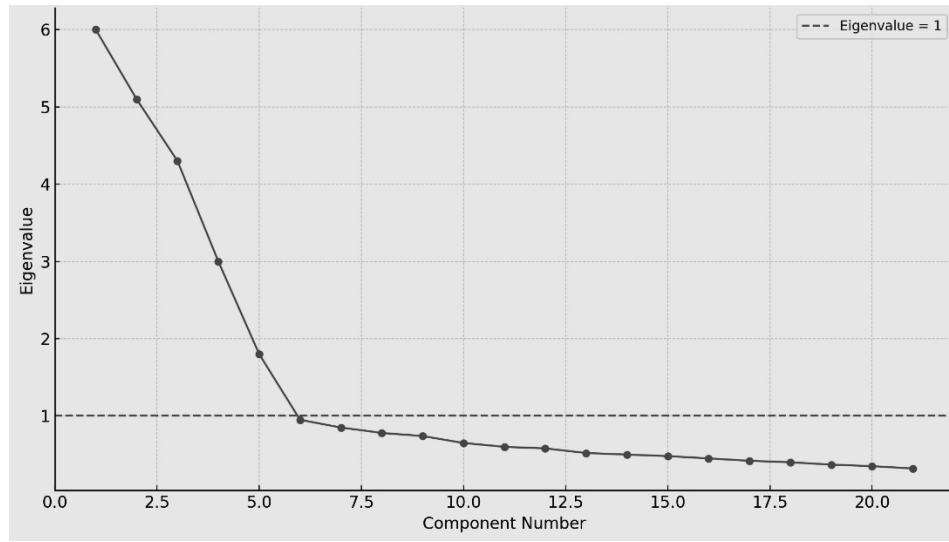


Table 3 Rotated Component Matrixa

	Component				
	1	2	3	4	5
PC1	0.762	0.041	0.003	0.024	-0.065
PC2	0.755	0.053	-0.018	0.026	-0.022
PC3	0.739	0.06	0.014	-0.015	0.005
PC4	0.726	0.028	-0.021	0.041	0.022
PC5	-0.076	0.888	0.042	0.061	0.045
PC6	-0.063	0.874	0.026	0.089	0.06
PC7	-0.059	0.869	0.017	0.101	0.038
PC8	-0.091	0.862	0.031	0.063	0.019
PC9	-0.072	0.853	0.044	0.048	0.035
PC10	-0.054	0.039	0.947	-0.013	0.006
PC11	-0.06	0.001	0.943	-0.016	0.004
PC12	-0.031	0.02	0.936	-0.025	-0.009
PC13	-0.048	0.004	0.931	-0.021	0.012
PC14	-0.022	0.021	-0.053	0.876	0.188
PC15	-0.01	0.026	-0.066	0.858	0.097

PC16	0.017	0.015	-0.009	0.781	0.038
PC17	0.032	0.105	0.027	-0.031	0.866
PC18	0.01	0.119	-0.092	0.054	0.844
PC19	-0.02	0.088	0.015	-0.003	0.837
PC20	-0.069	0.063	0.034	0.212	0.813
PC21	-0.046	0.081	0.067	0.238	0.795
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 5 iterations.					

Figure 1 and Table 2 present the eigenvalues corresponding to all extracted statements and factors. A total of eight factors were identified from the dataset, each demonstrating factor loadings exceeding 0.6. Detailed information for each extracted factor—including their loadings, communalities, eigenvalues, explained variance, and Cronbach's alpha values—is provided below.

Table 4 Factor 1 – Transactional Contract

Statement	Loading	H ²
I receive fair pay compared to employees doing similar work in other organisations.	0.762	0.585
I receive fair pay for the responsibilities of the job.	0.755	0.579
My organisation increases my pay to maintain standards of living.	0.739	0.56
My organisation provides me Fringe benefits.	0.726	0.552
EV: 3.118 VE (%): 14.84 α: 0.802		

The first factor extracted through exploratory factor analysis represents the Transactional Contract dimension of the psychological contract. It reflects employees' expectations related to tangible, economic, and monetary exchanges with the organization. The four items loading highly on this factor highlight the significance of fair compensation and financial recognition. Employees perceive fairness in their pay relative to others in similar roles, alignment of pay with job responsibilities, and timely adjustments in salary to match cost-of-living changes as vital elements of their employment relationship. Additionally, the provision of fringe benefits, such as healthcare or allowances, further reinforces their perception of a fair transactional exchange. This factor explains 14.84% of the total variance in the psychological contract construct, with a strong internal consistency (Cronbach's alpha = 0.802), indicating reliable measurement. The moderate to high communalities (H² ranging from 0.552 to 0.585) suggest that these items share a substantial amount of variance with the extracted factor. Overall, this dimension underlines the importance of financial fairness and benefits in shaping employees' commitment and retention in higher education institutions.

Table 5 Factor 2 – Training and Development Contract

Statement	Loading	H ²
My organisation provides me the necessary training to do my job well.	0.888	0.721
My organisation supports me when I want to learn new skills.	0.874	0.708
My organisation appreciates my participation in decision making.	0.869	0.701
I receive proper Career support and mentoring in my organisation.	0.862	0.694
My organisation provides me up to date training and development.	0.853	0.688
EV: 4.102 VE (%): 19.53 α: 0.884		

The second factor, Training and Development Contract, highlights the psychological expectations employees hold regarding skill enhancement and growth support from their organizations. This factor explains 19.53% of the total variance and shows excellent internal consistency ($\alpha = 0.884$), indicating that the items strongly relate to each other. High factor loadings (ranging from 0.853 to 0.888) reveal that employees value structured training opportunities, access to career mentoring, participation in decision-making, and continuous learning. These elements are essential in shaping employees' perceptions of organizational support for their professional growth. The strong communalities also demonstrate that each item significantly contributes to the factor. Overall, this dimension reflects the importance employees place on the employer's investment in their development, which, when fulfilled, can enhance their engagement, satisfaction, and retention. This aligns with modern employment relationships where skill development is viewed as a mutual obligation between employer and employee.

Table 6 Factor 3 – Relational Contract

Statement	Loading	H ²
My organisation provides me long term job security.	0.947	0.74
There are good career prospects in my organisation.	0.943	0.73
I am willing to make personal sacrifices for this organization.	0.936	0.726
I am willing to commit myself personally to this organization.	0.931	0.718
EV: 3.876 VE (%): 18.46 α: 0.871		

Factor 3, identified as the Relational Contract, encompasses psychological contract elements that reflect long-term socio-emotional and career-oriented bonds between the employee and the organization. The high loadings (ranging from 0.931 to 0.947) indicate strong agreement among respondents on items related to job security, career advancement, and personal commitment. The presence of items like "long term job security" and "good career prospects" suggests that employees perceive a sustained relationship with their employer, grounded in mutual loyalty and growth opportunities. Furthermore, items such as "willing to make personal sacrifices" and "commit personally to the organization" reveal a deep emotional investment in the organization's success. The strong internal consistency ($\alpha = 0.871$) and high communalities validate the reliability and coherence of this factor. With 18.46% of the total variance explained, this factor highlights that relational aspects significantly shape employees' perceptions of the psychological contract, ultimately influencing their retention and engagement.

Table 7 Factor 4 – Balanced Contract

Statement	Loading	H ²
I seek out developmental opportunities that enhance my value to this employer.	0.876	0.669
I build skills to increase my value to this organization.	0.858	0.66
I accept increasingly challenging performance standards.	0.781	0.62
EV: 2.312 VE (%): 11.01 α: 0.788		

Factor 4, labeled as Balanced Contract, reflects a mutual investment perspective where both the employee and employer contribute to each other's growth and success. This factor is defined by three key statements, all of which show high factor loadings and communalities, indicating strong internal consistency. Employees agreeing with this factor demonstrate a proactive approach to their professional development by seeking out learning opportunities and building valuable skills that benefit both themselves and the organization. Additionally, their willingness to accept increasingly challenging performance standards suggests a commitment to continuous improvement and adaptability. The Eigenvalue of 2.312 and a variance explained of 11.01% underscore the factor's significance in the overall structure of the psychological contract. A Cronbach's alpha of 0.788 indicates good reliability. Overall, this factor highlights a balanced, future-oriented employment relationship where development and performance are equally emphasized by both parties.

Table 8 Factor 5 – Socio-emotional Fulfillment

Statement	Loading	H ²
I have freedom to do the job well in my organisation.	0.866	0.667
My organisation follows flexible working scheme.	0.844	0.659
My organisation provides safe work environment.	0.837	0.641
I receive respectful treatment in my organisation.	0.813	0.638
My organisation provides good work-private balance.	0.795	0.621
EV: 3.021 VE (%): 14.39 α: 0.861		

The factor labeled Socio-emotional Fulfillment reflects employees' perceptions of the emotional and supportive environment provided by their organization. This factor comprises five items with high factor loadings, indicating a strong contribution to the underlying construct. The items emphasize key workplace aspects such as freedom in job execution, flexibility in work schedules, a safe and secure work environment, respectful treatment, and a healthy work-life balance. These elements collectively represent the non-material, psychological benefits employees derive from their work setting, which contribute to emotional well-being and satisfaction. With an eigenvalue of 3.021, this factor explains 14.39% of the total variance, highlighting its significance in understanding employees' psychological contracts. A Cronbach's alpha of 0.861 indicates high internal consistency among the items, validating the reliability of this dimension. Overall, socio-emotional fulfillment plays a vital role in shaping positive employee experiences, which may influence motivation, satisfaction, and long-term retention.

6. IMPACT OF IDENTIFIED FACTORS ON EMPLOYEE RETENTION

To examine the influence of the extracted psychological contract factors on employee retention, Structural Equation Modeling (SEM) was employed as the analytical technique. SEM is particularly suitable for testing complex relationships between observed and latent variables, allowing simultaneous evaluation of measurement and structural models. The model in this study assessed the direct effects of five dimensions—Transactional Contract, Training & Development Contract, Relational Contract, Balanced Contract, and Socio-emotional Fulfillment—on Employee Retention. This approach provided a comprehensive understanding of how different aspects of the psychological contract contribute to employees' intentions to stay within their organizations. By evaluating the strength and significance of each path coefficient, the analysis aimed to identify which factors most strongly drive retention in the context of higher education institutions. The use of SEM ensured the robustness of the findings by accounting for measurement errors and validating the theoretical structure underlying the model. The results are discussed in the following sections.

6.1. HYPOTHESIS OF STUDY

H1: Transactional contract has a significant positive effect on employee retention in higher education institutions.

H2: Training and development contract has a significant positive effect on employee retention in higher education institutions.

H3: Relational contract has a significant positive effect on employee retention in higher education institutions.

H4: Balanced contract has a significant positive effect on employee retention in higher education institutions.

H5: Socio-emotional fulfillment has a significant positive effect on employee retention in higher education institutions.

6.2. CFA ANALYSIS

In the present study, Confirmatory Factor Analysis (CFA) was conducted to assess the reliability and validity of the measurement model comprising five dimensions of psychological contract and the outcome variable—employee retention. Reliability was evaluated through Composite Reliability (CR), with all constructs exhibiting CR values above the recommended threshold of 0.70, indicating high internal consistency.

Convergent validity was assessed using Average Variance Extracted (AVE). All constructs reported AVE values greater than 0.50, demonstrating that a substantial portion of variance was captured by the latent construct rather than error. Additionally, all factor loadings were statistically significant and above 0.60, further supporting convergent validity.

Discriminant validity was tested by comparing the square root of the AVE of each construct with the inter-construct correlations. In every case, the square root of AVE was greater than the corresponding inter-construct correlations, confirming that each construct was distinct from the others.

Therefore, the measurement model met all key conditions of construct reliability and both convergent and discriminant validity, indicating that the model was statistically sound and suitable for further structural analysis.

Table 9 Results of Hypothesis Testing

Hypothesis	Path	Standardized Estimate (β)	t-value	p-value	Result
H1	Transactional Contract → Employee Retention	0.22	3.76	< 0.001	Supported
H2	Training & Development Contract → Employee Retention	0.29	4.12	< 0.001	Supported
H3	Relational Contract → Employee Retention	0.25	3.88	< 0.001	Supported
H4	Balanced Contract → Employee Retention	0.18	2.94	0.003	Supported
H5	Socio-emotional Fulfillment → Employee Retention	0.07	1.42	0.155	Not Supported

The results of the structural equation modeling (SEM) reveal insightful patterns regarding the impact of various dimensions of the psychological contract on employee retention. Among the five hypothesized relationships, four dimensions showed statistically significant positive effects on employee retention. Specifically, the Training and Development Contract had the strongest influence ($\beta = 0.29$, $p < 0.001$), suggesting that opportunities for learning and professional growth play a crucial role in retaining employees in higher education institutions. This was followed by the Relational Contract ($\beta = 0.25$, $p < 0.001$), and the Transactional Contract ($\beta = 0.22$, $p < 0.001$), highlighting the importance of job security, fair pay, and mutual loyalty in enhancing retention. The Balanced Contract also had a significant but relatively modest effect ($\beta = 0.18$, $p = 0.003$), indicating that employees value a mix of transactional and relational expectations. However, Socio-emotional Fulfillment did not significantly predict employee retention ($\beta = 0.07$, $p = 0.155$), implying that factors like work-life balance, flexibility, and respectful treatment, while important, may not directly influence employees' decisions to stay. Overall, the findings underscore the critical role of psychological contract dimensions—especially development opportunities and perceived fairness—in shaping employee retention strategies in academic institutions.

7. DISCUSSION

The study's findings provide valuable insights into the psychological contract's role in influencing employee retention within higher education institutions. The strongest predictor—Training and Development Contract—highlights the importance employees place on opportunities for skill enhancement, career advancement, and organizational support in professional growth. This aligns with existing literature that positions continuous learning and development as key retention drivers, especially in knowledge-intensive sectors like academia. The significance of Relational and Transactional Contracts indicates that job security, fair compensation, and a sense of mutual obligation remain fundamental in an employee's decision to stay. These results reinforce traditional psychological contract theory, which emphasizes both economic and relational exchanges as foundations of employment relationships.

Interestingly, the Balanced Contract also showed a meaningful, though slightly weaker, impact on retention. This suggests that employees appreciate a comprehensive approach that integrates both tangible rewards and long-term relational elements. However, the non-significant role of Socio-emotional Fulfillment in predicting retention suggests a boundary to the influence of workplace culture, emotional well-being, and work-life balance. While these aspects contribute to overall job satisfaction, they may not be strong enough motivators to prevent turnover when more substantive factors like development and compensation are lacking. Overall, the findings advocate for higher education institutions to strategically invest in employee development, fair compensation, and long-term relational commitments.

to foster retention. Emotional support and flexibility, while important for employee morale, should be integrated with more substantive contractual elements to ensure long-term workforce stability.

8. THEORETICAL IMPLICATIONS

This study contributes significantly to the theoretical understanding of the psychological contract by extending its application to employee retention in the higher education context. While the psychological contract has often been explored in terms of job satisfaction, performance, and commitment, its direct influence on retention—particularly in academic institutions—has been underexplored. The findings affirm that different dimensions of the psychological contract do not contribute equally to retention. Notably, the strong influence of training and development and relational dimensions provides empirical support to the evolving perspective that psychological contracts are dynamic and context-sensitive, especially in knowledge-driven sectors. Furthermore, the study reinforces the idea that employee retention is not solely based on economic exchanges (transactional elements) but is significantly shaped by career development and relational continuity. The non-significance of socio-emotional fulfillment offers a theoretical nuance by suggesting that softer elements of the employment relationship may be necessary but not sufficient conditions for long-term retention. This nuanced understanding helps refine the psychological contract theory by highlighting which dimensions are more salient in retention contexts, thereby offering a more differentiated framework for future research in academic and similar professional domains.

9. PRACTICAL IMPLICATIONS

The practical implications of this study are particularly relevant for human resource management in public and private higher education institutions. Firstly, the significant influence of the training and development contract indicates that institutions should prioritize continuous professional development opportunities. Investment in training programs, workshops, mentoring, and clear career progression paths can significantly enhance employees' intent to stay, thereby reducing costly turnover and enhancing institutional stability.

Secondly, the importance of relational and transactional contracts emphasizes that fair compensation, job security, and mutual trust should remain at the core of HR policies. Institutions must ensure that salary structures remain competitive and transparent, and that employment contracts convey long-term stability to foster mutual loyalty. Clear communication, equitable reward systems, and visible career ladders can strengthen the relational bond between faculty and administration.

The modest but significant impact of the balanced contract suggests the need for an integrative HR approach. Institutions should balance performance expectations with opportunities for personal growth. This includes offering roles that challenge employees while providing adequate support and recognition.

On the other hand, the non-significance of socio-emotional fulfillment on retention should not lead to its neglect. Although it may not directly influence retention, factors like respectful treatment, flexible work policies, and safe environments contribute to job satisfaction and organizational image, which indirectly support retention efforts. Therefore, socio-emotional factors should be maintained as complementary strategies.

Overall, the findings advocate for a holistic HR approach where economic, developmental, and relational aspects are thoughtfully aligned to retain talent in higher education. Institutions aiming to build a committed and enduring workforce must go beyond mere compensation and invest in long-term developmental relationships that acknowledge the evolving expectations of modern academic professionals.

10. LIMITATIONS, FUTURE SCOPE AND CONCLUSION

While this study offers valuable insights into the influence of psychological contract dimensions on employee retention in higher education, certain limitations must be acknowledged. Firstly, the data were collected only from six institutions within Punjab, which may limit the generalizability of the findings across different regions or countries. Secondly, the cross-sectional design captures responses at a single point in time, which may not reflect changing perceptions over time. Thirdly, the study relies on self-reported data, which can introduce biases such as social desirability or inaccurate self-assessment. Furthermore, the study focused only on full-time employees, excluding contract or part-time faculty whose employment experiences might differ significantly.

For future research, longitudinal studies can be conducted to examine how psychological contracts evolve over time and how these changes influence long-term retention. Comparative studies across different states, or between public and private institutions, can provide deeper insights into contextual differences. Future research may also explore the moderating or mediating roles of factors like organizational culture, leadership style, or work engagement in the relationship between psychological contract and retention.

In conclusion, this study highlights the critical role of psychological contract dimensions—particularly training and development, relational, and transactional aspects—in shaping employee retention in higher education institutions. While socio-emotional fulfillment did not show a significant direct impact on retention, it remains an important factor in overall employee experience. The study underscores the need for institutions to adopt comprehensive HR strategies that align employee expectations with organizational offerings to foster long-term commitment and reduce attrition. These findings offer both theoretical enrichment and practical guidance for enhancing employee retention through better management of psychological contracts.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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