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Fulfilling obligations: why Chinese employees stay

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The paper reports on a longitudinal study examining how employer and employee psychological contract (PC) fulfilment influences employee turnover. The boundary conditional role of Chinese traditional values on the influence process is also examined. Results show that traditional employees are more likely to leave their employers when they fail to fulfil their PCs than less traditional employees. On the other hand, when employers fail to fulfil contracts, less traditional employees are more likely to leave the organisations than more traditional employees. Implications of the results are discussed.

Keywords: contract fulfilment; longitudinal study; psychological contract; traditionality; turnover

Introduction

A major challenge any enterprise faces is to retain its competent employees. Yet turnover tends to be growing rapidly among employees in many industries (Reijnders 2003; Blomme 2006; Blomme, van Rheede and Tromp 2010), especially in China (Si, Wei and Li 2008; Warner 2009). Blomme et al. (2010) note that high turnover has a significant negative impact on organisations' productivity and profits. In particular, turnover of highly educated employees can erode the organisation's competence as having a strong knowledge base is one of the keys to maintaining human resource (HR)-based competitive advantages (Barney 1986, 1991, 1992; Lado and Wilson 1994). Therefore, our study contributes to the turnover literature by examining why people leave their organisations in China.

Previous research on turnover has examined a plethora of social and cognitive antecedents (cf. Griffeth and Hom 2004). As argued by Blomme et al. (2010), however, the nature of the employment relationship has important implications for understanding turnover. Interestingly, few studies focus on the fulfilment of employment terms as an important antecedent of employee turnover. Terms of employment are the foundation of an employee's decision to enter an organisation. Very few employees would enter an organisation without reviewing the employment terms offered by the organisation. An employer's failure to fulfil the terms of employment is a likely cause for employee turnover (Robinson 1996; Turnley and Feldman 1999).

What is less obvious, but of equal importance, is what happens when employees perceive that they fail to fulfil their own terms of contract to the employer. When employees fail to fulfil their obligations, how do they respond? An employment

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relationship involves both an employer and an employee. Thus, a more comprehensive understanding of turnover would require considerations of both employer and employee contract fulfilment. This study is an attempt to examine both employer and employee contract fulfilment as well as their interactive effects on employee turnover.

Human beings are social beings. Their behaviours are frequently products of both the social contexts in which the behaviours are enacted and the values and interests of the performer. Cultural value presents an interesting construct that lies in the intersection of the external social context and the internal value orientation of the performer. Cultural values influence how people translate their work-related attitudes (e.g. job satisfaction) into behaviour (e.g. attachment to their organisations). How employees react to failures to fulfil employment obligations may be influenced by cultural differences. For example, in more individualistic cultures, employees are expected to maximise individual achievement and benefits (Waterman 1984; Dorfman and Howell 1988). When individualistic employees fail to fulfil their terms of employment, they may not voluntarily leave if they perceive that staying on the job is the best means to maximise their individual benefits. In more collectivistic cultures like China, employees with traditional Chinese values may respond differently to their failure to fulfil their terms of employment. Traditional Chinese are supposed to, for example, value the fulfilment of one's obligation to providers (like an employer). When a Chinese with this kind of traditional value fails to fulfil his/her terms of employment, this individual may be more likely to leave the organisation voluntarily. Zhang and Zheng (2009) have demonstrated the utility of considering traditional Chinese values in examining HR issues. They found that people who are culturally more traditional tend to transfer their job satisfaction into stronger emotional attachment to the organisation than people who are lower in cultural traditionality.

China has been a focal interest for recent management research probably because of the world businesses' increasing investments in China. For instance, we have witnessed an increase in studies of the employment relationship in the Chinese context (cf. Hui, Lee and Rousseau 2004a; King and Bu 2005; Chen, Tsui and Zhong 2008). Furthermore, China is unique for management studies since some of its values are vastly different from American values (cf. Trompenaars 1994; Hofstede 2001). We conducted the study in mainland China. We propose that traditionality – an indigenous Chinese construct signifying the extent to which an individual endorses the traditional hierarchical role relationships prescribed by Confucian social ethics (Yang, Yu and Yeh 1991) – has major implications for how employer and employee fulfilment of contract influence the employee's turnover behaviour. Hui, Lee and Rousseau (2004b) asserted that considering Chinese traditionality could offer a unique angle for understanding employment relations in China. This study, using a longitudinal design, investigates the role of Chinese traditionality in the relationship between contract fulfilment and turnover. By providing China-specific evidence, we anticipate that this attempt will significantly expand the employment relationship theories being mainly proposed and developed in the West.

Psychological contracts (PCs) comprise employees' personal beliefs in reciprocal obligations with their employers (Rousseau 1989, 1995). Specifically, PCs consist of individuals' beliefs regarding the terms and conditions of an exchange agreement between themselves and their organisations (Rousseau 1989). Tekleab and Taylor (2003) suggested that employee PCs emerge when employees perceive that they have agreed to certain obligations for the organisations; employer PCs emerge when individuals perceive that their organisations have agreed to provide them with certain rewards in return for the contributions that they make to their employers. Zhao, Wayne, Glibkowski and Bravo (2007) noted that one of the focal constructs for understanding the effects of PCs is their

fulfilment by the employer. In contrast, fulfilment by the employee has seldom been examined. As previously stated, our study will fill this gap by examining not only employee fulfilment, but also its interaction with employer fulfilment in regard to turnover. In addition, the boundary effect of Chinese traditionality in the relationship will be tested.

In summary, our study contributes to the literature in PC fulfilment by employing the exchange theory perspective to explain the relationship between employer and employee contract fulfilment and employee turnover. We propose that the reciprocation of employee and employer contract fulfilment should lower turnover, while discrepancies in the two parties' fulfilment should activate employee turnover. We further propose that employee traditionality moderates the fulfilment–turnover linkage. Although reciprocity is a universal social phenomenon, Westwood, Chan and Linstead (2004) noted that reciprocity is also subject to cultural variation in its manifestation in social exchanges. Despite the ongoing dynamic changes occurring in China's economy and society that have brought about other changes such as value orientation of traditionality, core values of the Confucian value system remain the foundation of the Chinese value system and continue to be powerful in Chinese society (see Child and Warner 2003; Warner 2009). Examining the moderating role of traditionality in the employee–employer contract, fulfilment and turnover linkage may shed light on HR management practices in China's modernisation process from its people–management society. Figure 1 illustrates the framework of our study.

Theory and hypotheses

PC fulfilment and employee turnover

Social exchange theory has been used to explain employees' responses to perceived contract fulfilment and breach (e.g. Turnley, Bolino, Lester and Bloodgood 2003; Deery, Iverson and Walsh 2006). According to this theory, employees are motivated to maintain a balanced or reciprocal relationship with their employers in terms of inducements and contributions (Blau 1964). When employees perceive that their employers are fulfilling their obligations, employees are motivated to respond or increase their contributions in order to balance their exchange relationship (Turnley et al. 2003). Maertz and Griffeth (2004) suggested that a breach reduces or negates obligations that employees feel they owe, including obligations to stay (Robinson, Kraatz and Rousseau 1994; Turnley and Feldman 2000). According to Maertz and Griffeth (2004), employer contract breach is likely to increase employee intention to quit rather than simply neglect job duties and responsibilities as employees are likely to suffer fewer negative repercussions when

Figure 1. Framework of the study.

trying to find another job than they are when intentionally neglecting their required job duties. Conversely, employer contract fulfilment will motivate employees to reciprocate. One form of reciprocation is fulfilment of their contracts as well as remaining in the organisation to continue their contributions. Therefore, we predict that:

Hypothesis 1: Employer contract fulfilment will negatively relate to employee turnover.

Hypothesis 2: Employee contract fulfilment will negatively relate to employee turnover.

Interaction between employee and employer contract fulfilment

As previously suggested, the employee remaining may be considered as a form of employee reciprocation when the employer fulfils their PC. However, the relationship between employer (or employee) contract fulfilment and turnover may not be so static. As an extreme form of behaviour, turnover signifies the severance of an employment relationship. If an employee does not intend to fulfil his/her obligations to the organisation, he/she ceases the employment relationship by leaving. Normally, turnover is the result of a progressive process, unless jarring events occur that prompt more abrupt turnovers (Lee and Mitchell 1994). Thus, it is likely that the relationship between employee contract fulfilment and turnover is contingent on employer contract fulfilment.

Reciprocation, in general, would strengthen the tie between the parties involved (Yang 1957; Westwood et al. 2004). Reciprocation generates goodwill as well as the requisite trust in building and strengthening relations between parties (Molm and Cook 1995). When one party offers the good gesture of fulfilling its obligations to the other party and the other party returns the favour, a foundation is created for furthering this relationship. Such reciprocation represents equity in the exchange. As suggested by Cook and Emerson (1984), equitable exchanges are instrumental in building relationships. However, turnover is the opposite of furthering an employment relationship. Agreed-upon PCs, if properly fulfilled by both parties, are key to balancing and furthering an employment relationship (Rousseau 1995). When the employee fulfils his/her contract, he/she expects the employer to reciprocate to further the relationship, rather than to terminate the relationship. Thus, discrepancies of fulfilment by contract parties harm an employment relationship (Zhang and Agarwal 2009).

Our suggestion can also be explained using Foa and Foa's (1980) model of resource exchange. In resource exchange, parties are more likely to exchange concrete resources with concrete resources (e.g. goods) and symbolic resources with symbolic resources (e.g. love). According to Maertz and Griffeth (2004), one form of reciprocation to an employer's breach of contract is the breach of the employee's own contract. Consistent with this rationale, when employees fulfil their PCs, employers' lack of fulfilment may trigger an imbalanced response, such as lowering their contribution. Although the employment relationship is not necessarily a quid pro quo kind of exchange, it is indeed plausible that one would reciprocate the other's obligation to fulfilment through one's continued stay and contribution. However, it is possible that one party of an employment relationship successfully fulfils its obligations while the other does not. In this situation, the imbalance of exchange is particularly harmful to the relationship, which may generate the impulsive decision to leave.

Hypothesis 3: Employer and employee contract fulfilment will jointly influence employee turnover such that employee turnover most likely occurs when employees fulfil their contracts whereas employers fail to fulfil theirs.

Boundary conditional role of employee traditionality

The relationship between contract fulfilment and employee turnover may also vary from employee to employee as a function of the employee's value orientations. Although the norm of reciprocity appears to be a universal norm, human beings do not invariably reciprocate the same favour. We propose that Chinese traditional value may be one factor that influences the relationship between contract fulfilment and turnover behaviour. In the organisational literature, Farh, Earley and Lin (1997), Farh, Hackett and Liang (2007), Hui et al. (2004b), Spreitzer, Perttula and Xin (2005) and Chen and Aryee (2007) have empirically demonstrated that traditionality affects workplace dynamics in mainland China as well as Taiwan and the USA.

Schwartz (1992) described traditionality as commitment to, respect for and acceptance of customs and norms of a traditional society. Traditional Chinese society has been described as relationship oriented such that individuals are defined and constrained by their relational ties with relevant others in a hierarchically oriented social system (Yang 1993). Salient features of a traditional culture include respect for authority and a general sense of powerlessness. Although traditionality has been conceptualised at the societal level, it is increasingly used to capture individual value orientations (Farh et al. 1997, 2007; Hui et al. 2004b). Less traditional individuals may be more egalitarian, open-minded and self-reliant, whereas more traditional individuals subscribe to the values of traditional society, such as respect for authority.

Traditionality is also rooted in Chinese familism or patriarchal management. Family is the base unit of ancient Chinese society (Fei 1948). The structure of Chinese families has been inherited and operated in organisational, regional and even national administration through certain metaphorical ways, which result in the structural parallelism of familial and imperial power, or 'the isomorphism of family and nation' (Feng, He and Zhou 1990). In such a society, organisation as family is a metaphor that directs intra-personal self-concept and inter-personal expectations as well as relations. Despite the modernisation of society and the introduction of Western management philosophies and practices into Chinese business (Fu, Tsui and Dess 2006; Zhao 2008), traditional employees treat the firm for which they work as their own family. The sense of belonging to a family applies a good deal of pressure to the individual, ensuring that he/she is flexible and responsive in order to fulfil obligations as a 'family' member. Traditional employees endorse that an individual should conform personal needs to the collective organisation's needs and, if necessary, sacrifice himself/herself for the sake of the organisation's interests (Yang 1993). To the extent that employees have PCs for their organisations, more traditional Chinese will be motivated to fulfil their obligations than less traditional Chinese who feel less pressure to conform.

As previously discussed, failure to fulfil PC may lead to employee turnover. The norm of reciprocity suggests that a party extending a resource to another party obligates the latter to return the favour (Gouldner 1960). Since reciprocity plays a pivotal role in Chinese people's organisational life due to the relation-oriented nature of Chinese society (Gabrenya and Hwang 1996; Hofstede 2001), we propose that – as a form of negative reciprocation – employees with low traditional values are more likely to leave their organisations than those with stronger traditional values when their employers fail to fulfil the promised obligations. Those with stronger traditional values believe in the existence of power differentials between themselves and their employers as reasonable and acceptable, so that they are more tolerant of employer contract breach than those with lower traditional values (Chen et al. 2008). Similarly, Farh et al. (1997) found that traditional Taiwanese employees are less sensitive to

injustice than the less traditional employees. Their result suggests that traditional employees are less likely to react negatively, even when they are treated unfairly. Similar to Chen et al.'s (2008) prediction and result, we propose that traditionality will weaken employees' negative reactions to the employer's lack of contract fulfilment.

Furthermore, considering the influence of traditionality, we suggest that norms held by traditional employees will render them more stringent towards themselves in employment relationships. Once the traditional employees fail to fulfil their obligations, feelings of guilt will likely motivate them to leave their organisations. For less traditional Chinese, the failure to fulfil their PCs will have a smaller impact on their turnover behaviours.

Hypothesis 4: Traditionality moderates the relationship between employer PC fulfilment and employee turnover. Specifically, relative to less traditional employees, more traditional employees are less likely to pursue turnover when their employers fail to fulfil the contracts.

Hypothesis 5: Traditionality moderates the relationship between employee PC fulfilment and employee turnover. Specifically, relative to less traditional employees, more traditional employees are more likely to pursue turnover when they fail to fulfil their own contracts.

We previously suggested that turnover 'most' likely occurs when employees fulfil their contracts but employers fail to fulfil their obligations. We further predict that less traditional employees will react to such a situation more strongly than more traditional employees due to their lower tolerance of inequality in employment relationships (Li and Sun 2006). However, for more traditional employees who are less sensitive to injustice and more willing to contribute to the welfare of the 'family' regardless of the other's contribution, they are more likely to stay than those with fewer traditional values.

Hypothesis 6: Traditionality moderates the employer–employee fulfilment interaction on employee turnover. Specifically, relative to more traditional employees, less traditional employees manifest a stronger interaction; employee turnover will most likely occur when non-traditional employees fulfil their contracts whereas their employers fail to fulfil theirs.

Methods

Data for this study were based on a two-wave longitudinal study in China, with a 12-month interval between the two waves of data collection. The respondents were graduates from the programmes of business, arts and sciences at a top university in Shanghai, one of the most advanced cities in the People's Republic of China. They obtained full-time employment in various enterprises (privately owned, state-owned and Sino-foreign joint ventures). As requested by the research team, the respondents provided their contact telephone numbers and mailing addresses of both their homes and their working units prior to graduation. One year after graduation (Time 1), we administrated survey instruments to 486 graduate employees, from which we received a total of 251 responses, resulting in a response rate of 52%. The second wave of the survey was administrated another year later (Time 2) to these 251 respondents, among which 189 provided responses, resulting in a response rate of 75%. After combining the two waves of survey responses and deleting those without turnover information, we obtained 136 usable matched respondents. Of the 136 Generation Y respondents (born after 1980), 49% were men, with an average age of 24 years ($SD = 1.2$) and an average education of 15 years ($SD = 1.0$). Approximately 35% of our respondents were hired by state-owned companies.

Measures

PC fulfilment was measured at Time 1. We used Rousseau's (2000) two-item scale to assess employee–employer contract fulfilment. The two items for measuring *employee contract fulfilment* were 'Overall, how well have you fulfilled your commitments to your employer?' and 'In general, how well do you live up to your promises to your employer?' The two items for measuring *employer contract fulfilment* were 'Overall, how well does your employer fulfil its commitments to you?' and 'In general, how well does your employer live up to its promises?' A five-point rating scale, ranging from 'not at all' to 'to a great extent', was employed. Cronbach's (1951) alphas for employee and employer fulfilment were 0.64 and 0.76, respectively.

Traditionality was measured at Time 2. We adopted the five-item scale used in Farh et al. (1997), which was originally developed in Chinese. Items included 'When people have a dispute, they should ask the most senior person to decide who is right', 'Children should respect those people who are respected by their parents', 'The best way to avoid mistakes is to follow the instructions of senior persons', 'Before marriage, a woman should subordinate herself to her father; after marriage, to her husband' and 'The chief government official is like the head of a household; the citizen should obey his decisions on all state matters'. This scale has also been used by Farh et al. (2007), Hui et al. (2004b) and Spreitzer et al. (2005). Farh et al. (1997, 2007) reported Cronbach's alphas of 0.72 and 0.68, Hui et al. (2004b) reported a Cronbach's alpha of 0.74, and Spreitzer et al. (2005) reported a Cronbach's alpha of 0.81. This study used a seven-point strongly disagree–strongly agree rating format; Cronbach's alpha for this scale was 0.71.

Turnover was self-reported at Time 2. No respondents reported involuntary turnover, which is reasonable given that graduates are high-quality human assets in Chinese organisations. Thus, in this study, the variable was dummy-coded such that '1' indicated the respondents did leave and '0' indicated that the respondents remained with their first employing organisation. In our sample, 46 graduates reported leaving their employers during the period.

Control variables

Since participants were a student cohort graduating at the same time from one university, their backgrounds are comparable in terms of age and educational level. For statistical analyses, gender ('1' = female; '0' = male) was controlled. As ease of movement or work alternatives have been found to predict turnover (Trevor 2001; Lee and Rwigema 2005), we also controlled *job mobility* by referring to the perceived ease of finding similar jobs, measured by three items from Rusbult and Farrell (1983; e.g. 'In general, how do your alternatives compare to your current job?'). The response scale for this item ranged from '1' = alternatives are much worse to '7' = alternatives are much better. Cronbach's alpha value for the scale was 0.79. Finally, we controlled for enterprise ownership in the regression analyses. State-owned companies were coded as '1'; all others (privately owned, joint ventures or wholly owned) were coded as '0'.

Analytical strategy

To examine the distinctiveness of the study variables, we conducted confirmatory factor analyses (CFAs) using LISREL 8.50 (Jöreskog and Sörbom 2001). We compared the fit of our proposed measurement model to a number of alternative models so as to also examine threats from the common method variance (CMV; Podsakoff, MacKenzie, Lee and Podsakoff 2003). In order to test our hypotheses, logistic regression analyses were

performed. We entered predicting variables in four hierarchical steps. In the first step, we introduced control variables. In the second step, we entered employer and employee contract fulfilment to examine Hypotheses 1 and 2. The third step included the moderating variable: employee traditionality. In the fourth and final step, we entered two-way and three-way interaction terms to test Hypotheses 3–6.

Results

Discriminant validity and CMV

To examine construct discrimination, we ran a CFA with all the multiple-item constructs, including job mobility, employer and employee fulfilment, and traditionality. The four-factor model yielded acceptable fit indices ($\chi^2 = 78.99$, $df = 48$; $p < 0.05$; comparative fit index (CFI) = 0.93, incremental fit index (IFI) = 0.93, tucker-lewis index (TLI) = 0.91; root mean square error of approximation (RMSEA) = 0.07, p for close fit > 0.05), and every item loaded significantly to its corresponding factor. In addition, compared to the one-factor model, in which all items were loaded to an overall latent variable, the proposed four-factor model fit much better. The results implied an acceptable construct distinctiveness.

To examine whether a biasing effect emerged in the CMV, following Podsakoff et al. (2003), we added an independent 'CMV latent factor (all 12 items reported by employees were loaded to it)' to the proposed four-factor structure. However, the five-factor model did not converge. The result indicated that CMV does not pose as a significant threat to the validity of our results and conclusions.

Hypothesis testing

Table 1 presents means, standard deviations and correlations among key variables. As shown, employer and employee contract fulfilment were positively intercorrelated ($r = 0.31$, $p < 0.01$). When both related to employee turnover, employer contract fulfilment showed a significant relationship ($r = -0.24$, $p < 0.01$) while employee fulfilment did not ($r = -0.07$, ns). In addition, traditionality showed a significant correlation with employee contract fulfilment ($r = 0.18$, $p < 0.05$).

Table 2 presents the results of the logistic regression. As indicated in the table, employees in state-owned companies were less likely to leave their organisations ($\beta = -1.36$, $p < 0.01$; Model 1), females' turnover rate was lower than males ($\beta = -0.72$, $p < 0.05$; Model 1), and job mobility positively related to employee turnover ($\beta = 0.31$, $p < 0.05$; Model 1). Regarding the employer fulfilment effect on employee turnover, results supported Hypothesis 1, suggesting that employer fulfilment likely prevents employees from leaving the company ($\beta = -0.85$, $p < 0.01$; Model 2). However, our data failed to support the hypothesised relationship between employee contract fulfilment and turnover ($\beta = -0.08$, ns; Model 2).

We tested Hypotheses 3–6 by entering the two-way and three-way interactions between employer and employee fulfilment and traditionality into the logistic regression analyses (see Model 4 for details). Hypothesis 3 predicts that turnover most likely occurs when employees fulfil their PCs, but employers fail to fulfil theirs. As shown in Table 2, the interaction between employee and employer contract fulfilment on employee turnover was marginally significant ($\beta = -0.46$, $p < 0.10$; Model 4). We graphically illustrated the influence pattern of the interaction between employee and employer fulfilment on turnover in Figure 2. As shown in the figure and in support of Hypothesis 3, turnover was lowest when both

Table 1. Means, standard deviations and correlations.

	<i>Mean</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1. Enterprise ownership ^a	0.35	0.48	–					
2. Gender ^b	0.51	0.50	0.16	–				
3. Job mobility (Time 1)	4.71	1.11	–0.16	–0.04	(0.79) ^c			
4. Employer contract fulfilment (Time 1)	3.21	0.69	0.00	–0.06	–0.06	(0.76)		
5. Employee contract fulfilment (Time 1)	3.88	0.53	0.02	0.03	0.23**	0.31**	(0.64)	
6. Traditionality (Time 2)	3.33	1.04	–0.01	0.16	0.07	–0.03	0.18*	(0.71)
7. Turnover	0.34	0.47	–0.29**	–0.20*	0.19*	–0.24**	–0.07	0.00

Notes: ^aState-owned companies were coded as '1' and others were coded as '0'.

^bFemale is coded as '1' and male is coded as '0'.

^cCoefficients in the brackets are Cronbach's alpha values.

Time 1: 1 year after organisational entry; Time 2: 2 years after organisational entry. * $p < 0.05$; ** $p < 0.01$.

Table 2. Results of logistic regression.

	Turnover			
	Model 1	Model 2	Model 3	Model 4
<i>Controls</i>				
Enterprise ownership	-1.36*** (0.47) ^a	-1.45*** (0.49)	-1.45*** (0.49)	-1.41*** (0.51)
Gender	-0.72** (0.39)	-0.89*** (0.42)	-0.91** (0.43)	-0.89*** (0.44)
Job mobility (Time 1)	0.31** (0.19)	0.29* (0.21)	0.29* (0.21)	0.30* (0.22)
<i>Direct effects</i>				
Employer fulfilment of psychological contract (Time 1)		-0.85*** (0.32)	-0.85*** (0.32)	-0.89*** (0.41)
Employee fulfilment of psychological contract (Time 1)		-0.08 (0.42)	-0.10 (0.43)	-0.07 (0.52)
<i>Moderating variable</i>				
Traditionality (Time 2)			0.06 (0.23)	0.10 (0.23)
<i>Interactions</i>				
Employer fulfilment × Employee fulfilment				-0.46* (0.29)
Employer fulfilment × Traditionality				0.52** (0.26)
Employee fulfilment × Traditionality				-0.88*** (0.36)
Employer fulfilment × Employee fulfilment × Traditionality				-0.40 (0.30)
-2LL	151.79	142.66	142.59	132.60
Cox and Snell R ²	0.13***	0.19***	0.19***	0.25***

Notes: ^aCoefficients in the brackets are standard error of estimate. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Figure 2. Interaction between employer and employee fulfilment on employee turnover.

Figure 3. Moderating effect of traditionality on the employer fulfilment–turnover relationship.

employees and employers fulfilled their PCs. However, turnover was highest when employees fulfilled their contracts but the employer failed to live up to their obligations.

In testing Hypotheses 4 and 5, we found both ‘fulfilment $\times$ traditionality’ interactions to be significant ($\beta = 0.52$ and -0.88 , $p < 0.05$; Model 4). As proposed, traditional employees were less likely to leave their employers even when the latter failed to fulfil obligations, but were more likely to leave due to their own failure in fulfilling contracts. We graphically depicted the moderating effects of traditionality in Figures 3 and 4. As shown, the negative relationship between employer contract fulfilment and turnover was weaker for traditional than for non-traditional employees (see Figure 3). On the other hand, the negative relationship between employee contract fulfilment and turnover was stronger for traditional than for non-traditional employees (see Figure 4).

Finally, as shown in Table 2, the three-way interaction among employer and employee fulfilment as well as traditionality was not related to employee turnover ($\beta = -0.40$, ns;

Figure 4. Moderating effect of traditionality on the employee fulfilment–turnover relationship.

Model 4). Hypothesis 6, which predicted the moderating effect of traditionality on the employee–employer fulfilment interaction effect, was not supported by the data.

Discussion

As predicted, when employers failed to fulfil their obligations, employees were likely to leave. This result is similar to Deery et al.'s (2006) finding that perceptions of shared employer contract breach were associated with higher absenteeism. Together with Deery et al.'s study, our findings suggest that employees who believe that their organisations have not fulfilled their obligations to them are more likely to be absent and leave their organisations. This result supports the social exchange explanation of the employee–employer relationships that emphasises reciprocity-based obligations (Eisenberger, Armeli, Rexwinkel, Lynch and Rhoades 2001). Furthermore, to the extent that the employee's 'family bond' to the organisation is weak, making employee–employer relationship quality poor as employers fail to fulfil their obligations, Chinese employees are more likely to express their dissatisfaction with exit than voice (Hirschman 1971).

Although our data did not support the direct relationship between employee contract fulfilment and turnover, we found that compared to non-traditional employees, traditional employees are more likely to leave their organisations when they fail to fulfil their promised obligations to employers. Under-fulfilling one's PC thus triggers the motivation to restore the balance of the relationship (Rousseau 1995). For traditional employees, if they could not perform better to remedy their debts to the 'family organisation', leaving might be an alternative – albeit undesirable – way to rectify the imbalance. 'Feelings of guilt' are the major reason for those traditional employees' turnover since they feel that they do not belong to the 'family' (Redding 1990; Westwood et al. 2004). On the other hand, under-fulfilment by employer motivates the non-traditional employees to leave to reciprocate by departing the organisation. 'Perceptions of injustice' may underpin those non-traditional employees' departure. Our findings regarding traditionality are consistent with those of Chen et al. (2008), suggesting that traditional employees are less sensitive to employer contract breach than employees with less traditional values. In addition, the findings demonstrate that traditional Chinese have strong spirits of sacrifice in the employment relation for the sake of the 'family's' harmony or collective interests.

Other than Robinson and Morrison (2000), most studies on PC breach or fulfilment have focused on the relationship between employer contract fulfilment and consequences (cf. Zhao et al. 2007). Deery et al. (2006) found that external market pressure moderated the effect of employer contract breach and absenteeism. Our study adds to the contribution of the PC literature by determining that employees' traditional values are a boundary condition moderating the relationships between employee and employer PC fulfilment and turnover behaviour. As China changes and modernises, future studies should examine the extent of cultural evolution on employment relationships. As pointed out by Snell and Tseng (2003), state-invested enterprises, where management is concerned with engaging with market forces, have implemented pay-for-performance HR management strategies. This creates more short-term transactional employee PCs and may lead to greater turnover when employers fail to fulfil PCs.

Practical implications

Our results are consistent with Zhao et al.'s (2007) meta-analysis using studies conducted mostly in North America such that, when employers fulfil their PCs, employees are less

likely to leave the organisation. Zhao et al.'s study also showed that Chinese-based studies reported a larger correlation but not significant difference between PC breach and turnover intentions. Therefore, these results suggest that Chinese employees behave similarly as those in Western cultures. The use of pay for performance and other Western HR management strategies may have narrowed the cultural difference gap in how we motivate and retain employees in Chinese enterprises. When organisations or employers fulfil their obligations to employees – and, in our case, newcomers – they are obligated to fulfil their own obligations and are likely to stay. Since turnover could be disruptive and expensive for employers, organisations should be aware of their promises to newcomer employees (Lester, Kickul and Bergmann 2007). Robinson and Morrison (2000) suggested that, even if promises are made in good faith but the organisations are unable to fulfil them at a later time due to various reasons, the organisations should consider increasing the amount of contact and communication with employees in order to mitigate the negative effects of PC breach. As suggested by Blomme et al. (2010), managers should be sincere about possibilities of job positions, salaries, career paths and other HR-related policies. In our case, we suggest that managers be conscientious about their promises to their new recruits. As determined in this study, one of these negative effects of unfulfilled obligations is employee turnover, which could be costly to organisations (Glebbeek and Bax 2004).

Moreover, managers should also be aware of employees' value orientations. Our results indicate that employees' traditionality orientation contributes to the relationships between PC fulfilment and turnover. In particular, when an employee is competent and a good performer but has less traditional values, the organisation should pay extra attention to maintaining the balance of the PC. On the other hand, when a good performer with high traditionality perceives a discrepancy between what is promised and what is received, he/she may feel undervalued by the employer; however, such an employee is less likely to leave than a less traditional individual due to his/her faith in the 'family'. For HR management, formal and informal communication with employees regarding expectations and obligations will also enable the employer to understand its workforce as well as avoid 'under-' or 'over-'investing in employees (Tsui, Pearce, Porter and Tripoli 1997; Hom et al. 2009). For recruitment, managers should evaluate both work talents and value orientations. At least in the Chinese context, traditional individuals with work expertise could be heavily relied on to fulfil duties at lower HR costs. Future studies should examine ways to motivate talented traditional and non-traditional Chinese workers.

Limitations

Methodologically, one limitation of this study is the attrition in our participant pool between the two assessments. We lost track of many respondents due to address changes (although we used their family addresses as well), which might indicate that they had left their employers. We could draw the conclusion that the actual turnover rate was higher than the current sample. Indeed, as Si et al. (2008) stated, 'many (Chinese) companies are now suffering from undesirably high rates of voluntary turnover' (p. 934). Therefore, we anticipate that the results based on our sample should be constrained and the actual relationship between PC fulfilment and turnover may be higher. However, we cannot separate attrition in the study from leaving employers and believe that PC dynamics play a role in turnover (cf. Robinson and Rousseau 1994).

Another limitation is the use of self-reported data. However, following Podsakoff et al.'s (2003) recommendation to statistically examine the CMV problem, we found that the results indicated that it is an unlikely threat in the validity of our results. These

limitations are counterbalanced by the methodological strengths of our study. First, we used a longitudinal design that enhances the causal relationships implied in our hypotheses. Second, the employees in our sample all started out working at the same time but worked in a big number of organisations, thereby providing generalisability of our findings – at least in Chinese work settings.

Conclusions

In summary, the present longitudinal study demonstrates that (1) employer contract fulfilment relates to employee turnover; (2) discrepancies of fulfilment by contract parties harm an employment relationship; employee turnover more likely occurs when employees fulfil their contracts whereas employers fail to fulfil theirs; (3) the relationship between contract fulfilment (including both employee and employer fulfilment and their interaction) and turnover may be a function of how traditional the employees are. Our findings have generalisability to societies with more patriarchal kinds of values that are similar to the Chinese traditional values. More importantly, the study suggests that the relationship between contract fulfilment and turnover may not be a straightforward one. As China adopts more Western HR management practices, consideration should be given to Chinese cultural orientations such as traditionality. Future research should continue to examine other possible boundary conditions of this relationship.

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