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# **Wanting it all: the challenges of managing talent in young generation of transition economies.**

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## **Abstract**

**Purpose:** Our purpose is to identify challenges of talent management in the young generation of transition economies, based on a study of employee and employer obligations as elements of anticipatory psychological contracts (APC). We aim to analyze how APC differ between transitional and non-transitional countries and also if there are differences between transitional countries.

**Design/methodology/approach:** We used a quantitative research design and conducted a survey using the PC Inventory among business students in Poland and Slovenia and the UK (as a control group).

**Findings:** We found that APC in transitional countries differ significantly from the control group, with Polish and Slovenian APCs being more transactional and less relational than in the UK. Also, there are several differences between Poland and Slovenia, suggesting that CEE transitional countries cannot be considered a single region in this respect.

**Practical implications:** We identified challenges related to talent management in transitional countries based on APC characteristics and proposed several ways in which employers and educators could help to build more realistic expectations and thus helping young talents with their transition from education to labor market. By increasing the understanding of APC employers can improve their talent management practices for the young talents.

**Originality/value:** Our study offers unique insights into APC of the young generation in transitional countries, with regard to both employee and employer obligations. The three types of APC were studied along with particular dimensions of APC. We linked talent management to the APC characteristics. Based on our results, we propose that socio-economic context as well as national culture should be considered as antecedents of APC formation and given more attention in both psychological contract and talent management research.

**Keywords** Talent management, Psychological contracts, Generation Y, Transitional countries

**Paper type** Research paper

## 1. Introduction

Talent management has become one of the key challenges for many organizations in transitional countries, because demographics and migrations negatively affect the human capital pool (Svejnar, 2002). There has been an increased interest among researchers and practitioners alike in talent management and many studies have been published recently improving the conceptualization of talent management, as well as identifying effective processes and practices related to it (Gallardo-Gallardo et al., 2015). Despite a vast body of research, one of the main criticisms remains that it mostly adopts a organizational/managerial perspective (Gallardo-Gallardo and Thunnissen, 2016) and neglects individual employees, their needs and expectations (Collings et al., 2011; Thunnissen et al, 2013). Most studies have been conducted in developed Western countries and there were only a few that looked at TM in transitional countries of the Central and Eastern Europe (CEE) (e.g. Skuza et al., 2013; Vaiman & Holden, 2011), despite claims by many authors that context matters if an organization wants to design effective TM systems and practices (Thunnissen et al, 2013). Some even argue that TM should be contingent upon culture to avoid clashes with cultures when it comes to the issues like egalitarianism, inclusion and diversity (Iles et al., 2010; Dries, 2013). These gaps in research provide additional impetus to identify specific TM challenges for transitional countries and also for the young generation, since both have specific cultural features compared to developed Western countries and older generations. Gen Y is usually portrayed as very demanding in terms of salaries and advancement, but at the same time having lower work centrality and loyalty towards employers (Twenge, 2010; Lyons and Kuron, 2014). Understanding and managing generational differences have become important issues in TM research (Benson and Brown, 2011; Schuler et al., 2011). We believe that, because both TM and generation Y are under-researched generally and even more so in transitional countries, this generates a need for additional studies.

We adopted one of the less frequently used but, in our opinion, very useful approach for TM (Gallardo-Gallardo et al., 2015), namely the psychological contract perspective, which includes individual level variables (Festing and Schäfer, 2014). Through examining psychological contracts, we can explore employment expectations which not only affect employee attitudes, behaviors and work outcomes (Zhao et al., 2007) but also affect all phases of the TM process (Blass and April, 2008; Höglund, 2012). However, despite extensive research on PC and their breach over the last fifteen years, different socio-economic, cultural and generational differences have all been neglected (Rousseau and Schalk, 2000; Guest, 2004; Del Campo et al., 2014). Recently, researchers have also identified the need to better understand anticipatory psychological contracts (APC) (Sherman and Morley, 2015; De Vos et al., 2009), especially those of graduates, because APCs affect how novices at work perceive and react to employment relationships. Accordingly, this study attempts to fill these gaps by researching expectations of young entrants to the job market regarding employee and employer obligations in two transitional countries, Poland and Slovenia. We aim to increase our understanding of what kinds of PC employers can expect from young graduates once

employed and which talent management challenges will they face with regard to the young generation in transitional countries. We hope to provide useful information to help employers and educators alike to manage young talent, and effectively assist graduates during the transition from education to the labor market, creating positive early career experiences for the young and good talent management results for employers.

## **2. Talent management, psychological contracts and generation Y**

There are many definitions of talent management, but one of the most comprehensive is offered by Gallardo-Gallardo and Thunnissen (2016, p. 50), defining TM as “the systematic attraction, identification, development, engagement/retention and deployment of high potential and high performing employees, to fill in key positions which have significant influence on organization’s sustainable competitive advantage”. As such, TM is a part of the broader field of human resource management (HRM) (Festing and Schäfer, 2014). It is important to understand the needs of talented individuals or else the needs will probably not sufficiently be taken into account in the design and implementation of actual TM practices and TM will have less value to talented individuals (Thunnissen, 2016). We propose that the psychological contract perspective can help to increase understanding of needs and expectations of talents.

Psychological contracts are not a new phenomenon and the term was first coined by Argyris in 1960 to highlight the importance of perceptions in evaluating employment relationships. The concept is theoretically grounded in Blau’s social exchange theory (1964) as employment relationships can be viewed as a series of interactions between employees and employers. They both react according to the norm of reciprocity and thus mutual obligations occur over time (Cropanzano and Mitchell, 2005), and these obligations as social exchanges form a psychological contract (Taylor and Tekleab, 2004). A psychological contract is an individual’s belief in mutual obligations between that person and another party, such as an employer (Rousseau, 1995). PCs are not in a written form, but rather implicit and based on promises regarding employee ability, effort, and loyalty exchanged for expected organizational returns such as pay, promotion, care for employee well-being, job security etc. (Wellin, 2007). PC can be understood as mental models used by employees to assess their employment relationship and choose their actions (Rousseau and Parks, 1992).

According to Rousseau (2000), PC can be classified either as transactional (short-term with a mostly materialistic focus), relational (long-term and not restricted to economic exchange), or balanced (dynamic and open-ended employment arrangements that include both the economic success of the firm and employee opportunities to develop career advantages). The balanced type was added to the usual transactional – relational continuum in order to reflect changes in the employment relationships due to flexibilization, new forms of work, knowledge economy, globalization etc. Research has shown that relational PC are positively related to work outcomes such as commitment and organizational citizenship behavior, while transactional contracts have a negative impact and increase turnover intentions (Zhao et al., 2007). Thus, the employer’s preferred type of contract would be the relational type.

De Vos et al. (2009) argue that PCs are dynamic and already formed based on pre-employment experiences, followed by early employment and socialization processes. Through their pre-employment experiences, the young form perceptions about trust in employers and these perceptions also have a strong impact on their orientation towards relational rather than transactional PCs (Atkinson, 2007; Grimmer and Oddy, 2007). Because pre-employment expectations affect how PCs are formed when a person is employed, it is also important to study anticipatory psychological contracts. The APC refers to individuals' pre-employment beliefs about their future employment relationship, including promises they want to make to their future employers and inducements they expect to receive in return (De Vos et al., 2009). APCs are interesting to study for any future employees, but due to increased interest in Generation Y and reported difficulties in managing them at workplace, applying APC research to students seems to be a natural choice.

When it comes to the PCs of the young generation, there are a few empirical studies which point to the complexity of the issue. On one hand, the young are usually seen as having very high expectations (Lyons and Kuron, 2014). Some authors even talk about a sense of entitlement or deservingness being present among the young (Fisk, 2010). On the other hand, current economic and labor market conditions are having a negative effect especially on the young generation, for whom relatively high levels of unemployment, difficulty in finding a job, temporary work assignments, and general uncertainty have lowered their expectations (Rubin, 2012, De Hauw and De Vos, 2010; Smithson and Lewis, 2000). Negative past experiences, either while working or just observing events in the surrounding environment, such as lay-offs, reduced salaries, loss of status, can also effect the formation of PCs (Eilam-Shamir and Yaakobi, 2014). Thus, while the young were known to focus on relational contracts, especially the developmental component, a more transactional view would seem to prevail more recently (Bal and Kooij, 2011) due to lower work centrality in the young (Lyons and Kuron, 2014). D'Amato and Herzfeld (2008) suggest that the younger generation can have a stronger learning orientation, yet also exhibits lower levels of organizational commitment.

### **3. Poland and Slovenia as transitional countries**

Although Poland and Slovenia are both typical transitional countries, there are also many differences between the two. Apart from countries which evolved after the break-up of the Soviet Union, Poland is the largest of the CEE transitional countries with a population of 38 million while Slovenia is one of the smallest with only 2 million. Poland has a long history as a national state and Slovenia gained its independence only in 1991. Also, after the Second World War, Soviet-style state socialism prevailed in Poland, while Slovenia (then a part of Yugoslavia) followed the path of socialist self-management, a much more open and market-oriented system with already established business ties with Western countries (Mrak et al., 2004). This was the main reason that, at the beginning of the transition, Slovenia was much more economically developed than Poland, with a GDP per capita in 1991 almost three times higher (10,698 for Slovenia and 3,612 USD for Poland). However, both countries experienced

sharp declines in GDP from 1989-1991, followed by a steady growth till the crisis in 2008. Growth was stronger in Poland than Slovenia and also Poland less affected by the recent economic crisis. Therefore, the difference in GDP per capita has decreased, with Poland reaching 14,343 USD and Slovenia 23,999 USD in 2015 (The World Bank, 2015). Both countries are regarded as among the best performing transitional economies, both joined the EU in 2004 and Slovenia also adopted the Euro in 2007. Overall, the economic situation and well-being has improved since the beginning of the transition, although there were many challenges along the way and countries used various models of transition and reforms (Roaf et al., 2014). Both Poland and Slovenia used a slow approach towards privatization, while there was also substantial creation of new private firms (Svejnar, 2002). One notable difference between the two is that Poland welcomed inward foreign direct investment much more than Slovenia and managed to attract many MNCs, mostly because of cheap labor and size of the market (Bevan and Estrin, 2004).

Transition to a market economy had a negative impact on the labor market in both countries, moving away from the full employment paradigm under socialism to high unemployment rates in the mid-1990s. For example, the unemployment rate was 16% in Poland and 9 % in Slovenia by 1993 (Svejnar, 2002), largely due to massive lay-offs and bankruptcies on one hand and slow creation of jobs on the other. Similarly, salaries on average experienced a 20-25 % drop in the first few years of transition and then started to pick up again (Svejnar, 2002). If we compare average annual salaries in Poland and Slovenia in terms of purchasing power parity, we can see that Slovenian salaries in 2014 were about one third higher than Polish; The difference between salary levels in 2005 and 2014 remained stable at about 10,000 USD (Poland 20,860 in 2005 and 23,649 in 2014; Slovenia 30,413 in 2005 and 33,068 in 2014). However, Polish salaries experienced a slightly higher growth rate ([www.data.worldbank.org](http://www.data.worldbank.org)). The unemployment rate has remained relatively high throughout the period of transition, with Poland recording a single digit number only in 2007 and a record low number of 7.0% in 2008 before the world economic crises, just to climb above 10% again in 2012 (Kwiatkowska, 2014). Similarly, Slovenia recorded the lowest unemployment rate of 4.4% in 2008, but then it more than doubled in 2012. One notable difference between Poland and Slovenia is also the effect of the crisis in 2008 that hit Slovenia much more seriously than Poland. While Poland recorded positive economic growth every year between 2006 and 2014, with the GDP dropping under 2% only in 2012 and 2013, Slovenia recorded a negative rate of -7.8% first in 2009 and then also in 2012 (-2,7%) and in 2013 (-1.1%) ([www.data.worldbank.org](http://www.data.worldbank.org)).

As well as economic development, it is important to understand national culture and values as they affect psychological contracts. When we look at the two countries at the focus of our research, there are many cultural similarities as well as differences. According to the GLOBE study (Bakacsi et al., 2002), Poland and Slovenia fall into the same eastern European cluster with strong traditions and also transitioning culture, with main cultural characteristics being high power distance and high family and group collectivism. Boski (2012) also used the GLOBE study to show a low degree of assertiveness (giving way to solidarity and conflict avoidance) and social ineffectiveness for both Poland and Slovenia being in the Slavic cluster. Other studies for Slovenia also report high uncertainty avoidance (Pučko and Čater, 2011) and an increase in individualism (Zagoršek, 2006; Jazbec, 2007). In contrast, Poles express a

balance between individualistic and collectivist values (Boski, 2006). Although a lack of shift in mindsets following the transition to a market economy is often cited as a problem for transitional countries (Roaf et al., 2014), some authors observe notable changes in younger generations. For example, Brewster and Bennett (2010) observed that younger managers (namely those educated post communism), have a very different approach from the old bureaucratic and autocratic managers. The younger ones tend to be more dynamic, determined and fast learning while also more mercenary and aggressive.

#### **4. Talent management, psychological contracts and generation Y in transitional countries**

There are only a few research articles or book chapters that cover the topic of TM in transitional countries, so we have to rely also on various reports, press articles and statistical data. An overall assessment for TM in the CEE region is provided by Vaiman and Holden (2011). They reiterate the claim by Zupan and Kaše (2005) that in general the region is endowed with a well-educated, knowledgeable and skilled workforce. They also point to the fact that the mobility of labor has increased and that Poles especially are increasingly looking for opportunities abroad. The Polish government is aware of the potential issues related to brain drain and also brain waste (many Poles work abroad in jobs below their level of skills and abilities). They launched the „Powrót” (Return) program aimed at Polish people who want to return to their homeland after a period of time spend working abroad (Foundations for Socio-Economic Initiatives, n.d.). According to ministry statistics, there were more than 1.5 million Poles working abroad in 2010 with an average age of 26 (According to GUS – more than 2 million in 2014). Research conducted by the Ministry of Labor shows that 60% of Poles working abroad do not know what to do, 20% want to go back to Poland and 20% want to stay abroad. The Polish Ministry of Labor and Social Policy (2007) stated that the aim of the program was to create the best conditions for those who decided to go abroad for economic reasons and who want to return to Poland. Mobility of labor in Slovenia is much lower than in Poland, but there are indications that an increasing number of the young and well-educated are moving to work abroad (SURS, 2014).

The most comprehensive analysis of TM in transitional countries is the work of Skuza et al. (2013), using the case of Poland. They argue that TM is poorly developed and is not responding effectively to the many challenges and issues remaining. One of them is the role of expertise and professionalism as criteria for the selection of employees for talent pools and also in promotion and succession decisions. Their results show that employers place much more emphasis on experience, technical abilities and knowledge than on personal skills and abilities. Additional concern with regard to selection and promotion was raised by Vaiman and Holden (2011) who warn of the remains of the ‘nomenklatura’ system of promotion and succession of the “right people” (with political ties or connections with decision-makers) which restricts career opportunities for others who do not fall into this category. As a result of the lack of merit-based HR decisions, there were a lot of cynical and uncommitted employees, behaviors that persisted into the transition period. Thus it might not be surprising that trust in

organizations is rather low in Poland (Kiriazov et al., 2000). Skuza et al. (2013) also mention reliance on personal relations and private networks in management decisions as a deficiency of TM systems. They also reported the importance to employees of belonging to a talent pool as there is a lack of acceptance of individual success (even occurrences of negative attitudes towards successful people) as well as low acceptance of failure, which makes talented people risk averse.

Talent management as a concept is rather new in CEE countries and is practiced more by subsidiaries of foreign-owned MNCs than by local companies (Skuza et al., 2013) because the latter still approach HRM and talent management in a standardized and bureaucratic way (Weinstein and Obloj, 2002; Zupan and Kaše, 2005). We can conclude that TM in transitional organizations should be analyzed as a part of their HRM systems. In comparison to developed countries, these are much less strategic, sophisticated or effective, especially in lower income countries (e.g. Morley et al., 2012; Zupan and Kaše, 2005). However, there are also many positive developments and the region is becoming increasingly more diverse, hence CEE countries should not be grouped together and observed as one region but one should take into account specific contexts and institutional environment (Brewster et al., 2010).

Looking for evidence of psychological contracts in CEE yields even fewer results than research of HRM or TM. Kaše and Zupan (2007) have analyzed psychological contracts in two transitional companies in Slovenia and found that employees did not differentiate between transactional and relational returns but rather expressed relatively high expectations of many elements such as stable and secure pay, variable pay, recognition, training, and good colleagues to work with. They also found a negative relationship between PC breach and job satisfaction and commitment, but no significant relationship with intentions to change employer, even when employees are not satisfied. This might be linked to labor market situation with relatively high unemployment as well as to the traditionally highly-valued life-long employment. A high value put on job security (especially when compared to Western countries) was also reported by Fey et al. (2007). Vecernik (2003) conducted a comparative study of work values in CEE and EU countries based on the ISSP survey and found that there are not as many differences in the desired characteristics of work. However, rewards and promotions are much more desired in transitional countries, while independent and interesting work is more desired in Western countries. He also found that differences between the work characteristics desired and what is actually achieved are in general higher in transitional countries, suggesting the existence of a PC breach.

There has been also little academic research into Generation Y in transitional countries so we mostly depend on various reports by professional or government institutions. For our topic it is especially interesting to observe youth unemployment which is nowadays one of the big challenges in Europe. Poland has experienced a relatively high level of youth unemployment rate (age 15-24), over 20%, throughout the transition period, with an increase of 45.7% in the period of 2007-2013 (maximum was 43,7 in 2002) (Eurofound, 2014). In Slovenia, youth unemployment was significantly lower than in Poland before the crisis; however it recorded an increase of 104.4% from 2007 to 2013, with the peak of 25.2% in April 2013 (Eurofound, 2014). The same Eurofound's report on youth in Europe shows that most young employees have temporary jobs (66.4% in Poland and 72% in Slovenia in 2012), although labor legislation regarding temporary work is much more restrictive in Slovenia (e.g.



it is prohibited for tasks which are of permanent nature and is limited to 24 months) compared to no limits imposed in Poland (other than employers providing an objective reason for temporary work) ([www.doingbusiness.org](http://www.doingbusiness.org)). The young are also much more willing to change employers than older employees: in Poland, 18.7% of the young would like to change their jobs compared to 8.6% among 30-64 years old, and in Slovenia 11.4% of the young compared to 6.0% of older employees (Eurofound, 2014). Compared to the old EU states, the young from transitional countries spend more time studying and take a longer break between graduation and their job search.

Another interesting comparison between Poland and Slovenia is with regard to the values, especially those pertaining to work, of the young generation. According to Delloite & SGH (2013), the more important values for the Polish are 1) family, 2) health, 3) self-actualization, 4) work, 5) friends and acquaintances, and 6) work-life balance. According to the report "Youth 2011" (Szafraniec, 2011), young Polish people are hedonistic, money-oriented and ambitious. With regard to work they also consider it important to earn a good salary, to experience no stress or pressure, to have stable employment and to achieve self-actualization ([www.kariera.pl.com](http://www.kariera.pl.com)). For the Slovenian young generation, their ranking is different (Lavrič et al., 2010): 1) health, 2) true friendship, 3) family, 4) freedom of work and thought, 5) order and stability in society, and 6) success at work or school. In the same study, they report a drop in importance of work and material possessions for the young in 2010 compared to the 2000 survey. Zupan et al. (2015) analyzed the work values of young Slovenians and found the following six were most important: 1) advancement, 2) interesting work, 3) salary, 4) achievement, 5) information and 6) co-workers. Overall, there were the highest mean values for instrumental work values, followed by cognitive, social-altruistic and prestige.

## **5. Hypotheses development**

We based our hypotheses on reviewed literature regarding psychological contracts and Generation Y characteristics, as well as the context of transitional countries. Although there has been no research yet regarding anticipatory psychological contracts in transitional countries compared to traditional developed market economies, specifics of transitional economies suggest that there will be some differences because the socio-economic context has been identified as an important element in the process of forming PC (Guest, 2004). Compared to Generation Y in developed countries, Generation Y in transitional countries has witnessed massive layoffs and persistent high levels of unemployment (Roaf et al., 2014; Svejnar, 2002). Also, youth unemployment is higher in transitional countries, there are more incidences of temporary work and young employees are more willing to change employers (Eurofound, 2014). Negative past experiences, even if one is just an observer and not directly affected, have been reported to be linked to more transactional PCs (Eilam-Shamir and Yaakobi, 2014). Based on this we expect APC in transitional countries to be more transactional than in non-transitional ones.

H1: Types of APC of business students will be different in transitional countries (Poland & Slovenia) than in non-transitional (UK), being more transactional and less relational in transitional countries.

Despite sharing a lot of similarities with regard to transition to a market economy, we also expect that there will be differences in APC between Polish and Slovenian business students. As explained earlier, the recent economic crisis hit Slovenia much harder than Poland and thus, following the argument by De Hauw & De Vos (2010), we predict that levels of expectation will be lower in Slovenia regarding balanced and relational dimensions of APC, and higher regarding transactional dimensions. Also, due to higher levels of individualism in Slovenia compared to Poland, following the reported links by Thomas et al. (2010), we also expect that Slovenian students will have more transactional APC than Polish and less relational APC, both regarding the types and the individual dimensions of PCs.

H2: APC in Slovenia will differ from those in Poland, with Slovenian business students expressing higher values of transactional APC than Polish and lower levels of relational APC.

Our last hypothesis relates to the element of trust in employers as an item affecting APC formation. Trust in employers is a particularly interesting concept for transitional countries, because there are still relatively high levels of corruption, nepotism and unethical behavior (Roaf et al., 2014). Also, the negative consequences of transition affecting the local populations such as layoffs, not paying salaries on time or at all, mobbing and other unfair practices negatively affect the image of employers (Pugh et al., 2003). Although lower trust has been thus far mostly researched as an outcome of a psychological contract breach, trust is by definition an antecedent of APC because it can be defined as ‘one’s expectations, assumptions, or beliefs about the likelihood that another’s future actions will be beneficial, favorable, or at least not detrimental to one’s interests’ (Robinson, 1996, p. 576). Trust is thus a building block of most relationships (Wilson, 1995) and is also known to be a factor affecting the quality and duration of employment relationships (Matzler and Renzel, 2006). Trust is also a key characteristic of a long-term relational PC (Atkinson, 2007; Grimmer and Oddy, 2007). We expect that trust will have the same effect also on APC and will be positively related to relational dimensions of APC and negatively to transactional dimensions of APC. There are less clear relations between trust and balanced dimensions of APC. Balanced PCs are actually a combination of relational and transactional elements, with performance and development being more long-term elements of an employment relationship. On the other hand, external marketability is more of a short-term element as it is actually linked to career opportunities external to the current employer and thus implies an element of voluntary turnover. Therefore, we expect that the relation between trust and dimensions of balanced PCs will not be the same, but will be positively related to performance and development and negatively linked to external marketability. Thus we can formulate our last hypothesis (H3) stipulating how trust will affect APC dimensions.

H3: Trust in employers will be negatively linked to short-term, narrow and external marketability dimensions and positively linked to performance, development, loyalty, and stability dimensions of APC.

## 6. Methodology

We aim to research APCs among business students in two transitional countries, Poland and Slovenia, and compare them to the APC of their counterparts in the UK as a traditional market economy which has witnessed further liberalization and deregulation in the last four decades. Working on student samples is relevant because graduates are often viewed as a potential key source of talent (McCracken et al., 2015) and one of the most common talent pools (Garavan and Morley, 1997). We used a quantitative research design and conducted a survey of business students from leading universities in Poland (University of Warsaw), Slovenia (University of Ljubljana) and the UK (Northumbria University) from April to June 2015. Features of PC were measured by using the PCI – psychological contract inventory developed by Denise M. Rousseau (2008) which measures employee and employer obligations. These are grouped in seven dimensions of a PC and three types of PCs: transactional (short-term and narrow dimensions), relational (loyalty and stability dimensions) and balanced (development, performance and external marketability dimensions). For the UK and Slovenian students, an on-line questionnaire was administered. A paper version was used for the Polish students. The decision to use different means for collecting data was based on the experiences of the local researchers in terms of administering surveys. The survey instrument was administered in the local language with a back translation procedure for Polish and Slovenian languages. The student participation was voluntary and anonymous. The survey produced acceptable levels of internal reliability, with the corresponding Cronbach alpha being a bit higher for employer obligations than employee obligations and the highest score being for balanced PC (0.82 for employee obligations and 0.90 for employer obligations), followed by relational (0.55 employee, 0.83 employer), and transactional (0.64 employee, 0.71 employer).

The sample consisted of a total of 560 students (249 Slovenian, 220 Polish, and 91 British). Control was used for both the educational background of the respondents (undergraduate business students in their final two years of study) and the age (most were aged 20-23). The sample included more female students (overall: 65%; Poland 71%, Slovenia 64%, UK 56%). With regards to work experience (including working as students), there were large differences between the countries, where almost 24% of the students had no work experience in Poland, compared to only 7% in Slovenia, and 8% in the UK. 36% of the Polish students claimed to have more than 6 months of work experience, compared to 56% in the UK, and almost 62% in Slovenia. This result reflects differences in attitudes and availability of part-time student jobs and internships in the observed countries.

We first performed a descriptive analysis and ANOVAs for the presence of types of APC in the three countries regarding employee and employer obligations. Because our hypotheses also pertained to dimensions of PC and not only types of PC, we then conducted a similar analysis for each of the seven dimensions of the APC types. In order to control for the

effects of gender we also performed a multivariate analysis of mean differences with country and gender as independent variables. To test differences between levels of expectations for Poland and Slovenia we performed an independent sample t-test. Finally, we performed a descriptive analysis and univariate ANOVA analysis to explore the variation in trust with regard to work experience, as well as correlation analysis for trust and dimensions of APC.

**7. Results**

To answer our first question regarding the comparison of types of APC between the three countries, we calculated the mean values for the types of APC concerning employee and employer obligations for each country. With regard to employee obligations (Figure 1), balanced PCs showed the highest values for all countries, followed by relational and then transactional PCs. Transactional APC values are considerably lower for the UK sample than for the Slovenian and Polish samples. For employer obligations (Figure 2), relational APCs show a slightly higher value than balanced APCs, with transactional having considerably lower values for all countries.

Figure 1. Types of APC regarding employee obligations

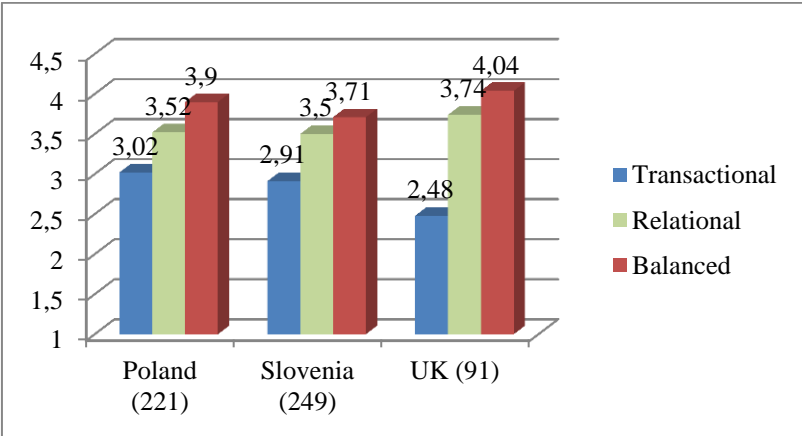


Figure 2. Types of APC regarding employer obligations

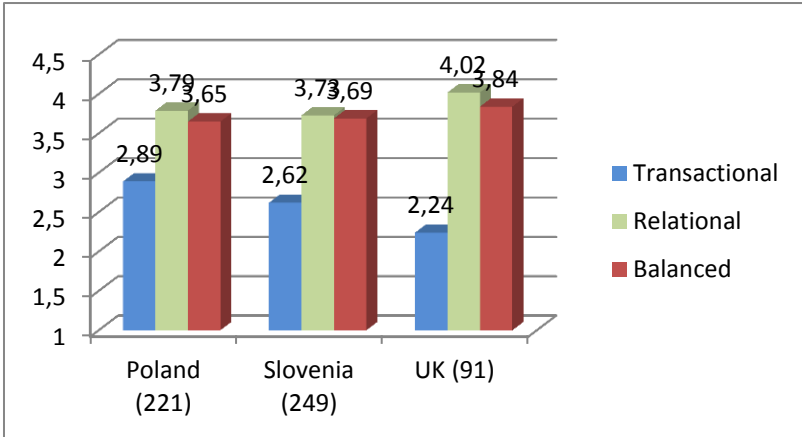


Table 1 presents the mean values and standard deviations for the types of APC in the three countries. A series of univariate tests (ANOVAs with post-hoc tests) also confirms the existence of statistically significant differences between the countries for most types of psychological contract (except the balanced contracts for employer obligations). For employee obligations, relational and balanced contracts are significantly higher in the UK than in Poland and Slovenia, and the transactional contracts are significantly different in each country, with the lowest score in the UK and the highest in Poland. For employer obligations, the results are quite similar. The values for transactional contracts are significantly different in each country (Poland – highest, the UK – lowest) and for relational contracts the values are significantly higher for the UK.

Table 1: Mean values (on scale from 1 to 5) for employee and employer obligations according to type of PC by country (standard deviations in parenthesis)

Country	Employee obligations			Employer obligations		
	Transactional	Relational	Balanced	Transactional	Relational	Balanced
Slovenia (n= 249)	2.91 (0.58)	3.50 (0.41)	3.81 (0.52)	2.62 (0.57)	3.73 (0,57)	3.69 (0.68)
Poland (n=220)	3.02 (0.61)	3.52 (0.49)	3.90 (0.55)	2.89 (0.59)	3.79 (0.79)	3.65 (0.80)
UK (n=91)	2.48 (0.65)	3.74 (0.46)	4.04 (0.54)	2.24 (0,66)	4.02 (0.76)	3.84 (0.72)
Total	2.88 (0.63)	3.55 (0.45)	3.89 (0.54)	2.67 (0.64)	3.80 (0.70)	3.69 (0.74)

A further analysis is focused on particular dimensions of types of the APC (see Table 2, Figure 3 and 4). First, we look at the transactional dimensions of APC (short term and narrow) regarding both employee and employer obligations. The analysis confirms that there are significant differences. For the narrow dimension, the UK scores are significantly lower than those for Poland and Slovenia, and there are no significant differences between the two transitioning countries. However, for the short-term dimension, there are significant differences between all the countries, with the UK score being the lowest and Poland the highest.

Figure 3. APC dimensions regarding employee obligations

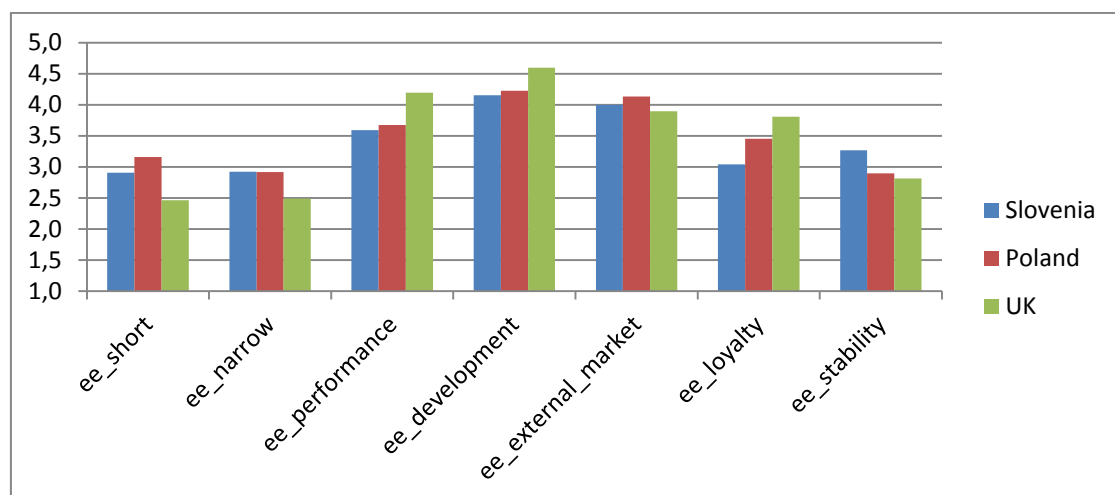
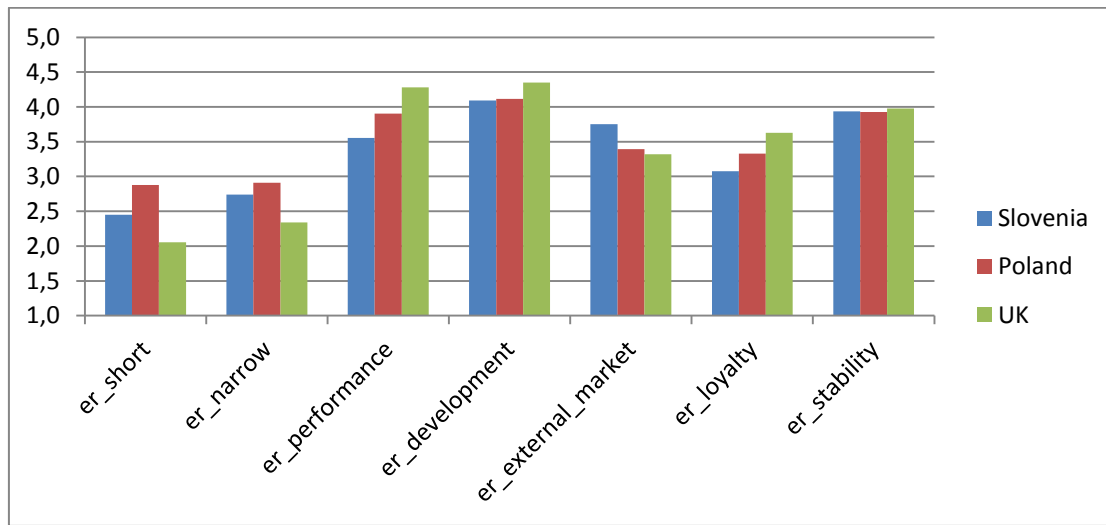


Figure 4. APC dimensions regarding employer obligations



The analysis of scores for relational APC (loyalty and stability) shows that there are significant differences in employee obligations in both dimensions. For employer obligations, only the loyalty dimension shows significant differences. As far as the loyalty dimension is concerned, in both employee and employer obligations all countries have significantly different scores (the highest for the UK and the lowest for Slovenia). Interestingly, for the stability dimension of employee obligations, Slovenia shows the highest score, while there is no difference between Poland and the UK.

Table 2: Mean values (on scale from 1 to 5) for employee and employer obligations according to dimension of PC by country (standard deviations in parenthesis)

Country	Employee obligations						
	Short term	Narrow	Loyalty	Stability	Performan.	Develop.	External
Poland (n= 220)	3.16 (0.83)	2.92 (0.69)	3.45 (0.78)	2.90 (0.63)	3.68 (0.67)	4.23 (0.73)	4.13 (0.63)
Slovenia (n=249)	2.91 (0.97)	2.91 (0.62)	3.04 (0.59)	3.30 (0.66)	3.59 (0.60)	4.17 (0.58)	4.04 (0.73)
UK (n=91)	2.47 (0.81)	2.48 (0.82)	3.80 (0.57)	2.80 (0.80)	4.18 (0.66)	4.60 (0.49)	3.90 (0.89)
Total	2.94 (0.92)	2.84 (0.74)	3.32 (0.69)	3.06 (0.71)	3.71 (0.66)	4.26 (0.62)	4.05 (0.76)
Country	Employer obligations						
	Short term	Narrow	Loyalty	Stability	Performan.	Develop.	External
Poland (n= 220)	2.88 (0.74)	2.91 (0.72)	3.33 (0.97)	3.93 (0.94)	3.90 (0.81)	4.11 (0.85)	3.39 (1.01)
Slovenia (n=249)	2.46 (0.82)	2.77 (0.62)	3.11 (0.58)	3.95 (0.84)	3.59 (0.66)	4.13 (0.81)	3.78 (0.88)
UK (n=91)	2.09 (0.82)	2.40 (0.81)	3.66 (0.96)	4.01 (0.94)	4.34 (0.67)	4.40 (0.71)	3.34 (1.06)
Total	2.57 (0.84)	2.76 (0.71)	3.28 (0.84)	3.95 (0.90)	3.83 (0.77)	4.17 (0.81)	3.55 (0.98)

As far as the balanced APC are concerned, the ANOVA results confirm that there are significant differences for all three dimensions for both employee and employer obligations. For the external marketability dimension from the employee obligations perspective, the post-hoc test show that the scores are significantly different for the UK (the lowest) and Poland (the highest), but there is no difference between Slovenia and the other countries. When we adopt the employer obligations perspective, the scores are the highest for Slovenia with no difference between Poland and the UK. For employee obligations, in case of performance and development the UK has significantly higher scores than both Poland and Slovenia. The same is true for the development scores in employer obligations, however, post-hoc tests show that the performance scores are significantly different for each of the countries (the UK the highest and Slovenia the lowest).

We also tested the role of country of origin when controlled for gender differences as our samples differ with regard to proportion of females and gender differences were identified in previous research on PC as an individual factor affecting the types of PC (see for example Scandura and Lankau, 1997; Thompson and Heron, 2005; Tallman and Bruning, 2008; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008). However, there were also studies which did not find any significant effect of gender (Duff and Monk, 2006; Coyle-Shapiro and Conway, 2005; Sutton and Griffin, 2004). Thus, we performed a multivariate test featuring two independent factors (i.e., country and gender) at the same time. Regarding employee obligations, the multivariate result was significant for country (Pillai's Trace=0.114;  $F=11.2$ ;  $df=6$ ;  $p=0.000$ ) and not for gender (Pillai's Trace=0.020;  $F=3.7$ ;  $df=3$ ;  $p=0.110$ ), also not for the interaction between country and gender (Pillai's Trace=0.007;  $F=0.671$ ;  $df=6$ ;  $p=0.673$ ). For employer obligations, the multivariate result was again significant for country (Pillai's Trace=0.134;  $F=13.3$ ;  $df=6$ ;  $p=0.000$ ) and not for gender (Pillai's Trace=0.012;  $F=2.2$ ;  $df=3$ ;  $p=0.090$ ) or for the interaction between country and gender (Pillai's Trace=0.006;  $F=0.569$ ;  $df=6$ ;  $p=0.755$ ). This supports the claim that country of origin affects mean differences in types of APC more than gender. Considering both country of origin and gender, we again found evidence for statistically significant differences based on country for transactional ( $p=0.000$ ), relational ( $p=0.000$ ) and balanced APC ( $p=0.001$ ) with regard to employee obligations and for transactional ( $p=0.000$ ), relational ( $p=0.001$ ) and marginally also balanced APC ( $p=0.058$ ) for employer obligations. For gender, significant differences exist only balanced APC ( $p=0.001$ ) but not for transactional ( $p=0.434$ ) or relational APC ( $p=0.204$ ) regarding employee obligations. For employer obligations significant differences based on gender exist for relational ( $p=0.018$ ) and balanced ( $p=0.018$ ) but not transactional APC ( $p=0.229$ ). No statistically significant differences exist for interaction between country of origin and gender for either employee or employer obligations.

When we performed an independent t-test regarding levels of expectations between Polish and Slovenian students (for means see tables 1 and 2), we found significant differences regarding the three types of APC only for the transactional type, with significantly higher levels of expectation in Poland than in Slovenia for both employee ( $p=0.046$ ) and employer obligations ( $p=0.000$ ). With regard to dimensions of APC, we found three significant differences regarding employee obligations and five regarding employer obligations. For employee obligations, there is significantly higher level of expectation for Poland regarding short-term dimension ( $p=0.003$ ) and higher for Slovenia regarding loyalty and stability

( $p=0.000$ ). For employer obligations, there are significantly higher levels of expectations for short-term ( $p=0.000$ ), narrow ( $p=0.024$ ), performance ( $p=0.000$ ) and loyalty ( $p=0.003$ ). The only higher value for Slovenia is for external marketability ( $p=0.000$ ).

Looking at correlations between the APC dimensions for employee and employer obligations and the level of trust towards an employer, we find statistically significant relation in 11 out of 14 cases (see Table 3). It can be observed that for both employee and employer obligations there is a weak negative correlation between short term dimension of the transactional style of APC and the level of trust in employers. As for the narrow dimension, the negative correlation with trust occurs only for employee obligations. For employer obligations, both relational (loyalty and stability) and balanced (performance, development, and external marketability) APC types are positively correlated with trust in employers. For employee obligations, trust is positively linked to loyalty, performance and development dimensions.

Table 3. Correlation between APC dimensions and trust in employers

APC dimension	Trust in employers			
	Employee obligations		Employer obligations	
Short-term	Pearson correlation Sig. (2-tailed)	-0.182** 0.000	Pearson correlation Sig. (2-tailed)	-0.165* 0.000
Narrow	Pearson correlation Sig. (2-tailed)	-0.137** 0.001	Pearson correlation Sig. (2-tailed)	-0.066 0.120
Performance	Pearson correlation Sig. (2-tailed)	0.165** 0.000	Pearson correlation Sig. (2-tailed)	0.193** 0.000
Development	Pearson correlation Sig. (2-tailed)	0.200** 0.000	Pearson correlation Sig. (2-tailed)	0.181** 0.000
External	Pearson correlation Sig. (2-tailed)	-0.075 0.077	Pearson correlation Sig. (2-tailed)	0.112** 0.008
Loyalty	Pearson correlation Sig. (2-tailed)	0.087* 0.039	Pearson correlation Sig. (2-tailed)	0.195** 0.000
Stability	Pearson correlation Sig. (2-tailed)	0.074 0.080	Pearson correlation Sig. (2-tailed)	0.181** 0.000

N=469, \* correlation significant at 0.05; \*\* correlation significant at 0.01

## 8. Discussion and implications

Our results show that APC in two transitional countries, Poland and Slovenia, significantly differ from that in a traditional market economy, the UK, in many dimensions. In line with our first hypothesis, the transactional APC is significantly higher in Poland and Slovenia for both employee and employer obligations. On the other hand, the relational APC is significantly higher in the UK, again for both kinds of obligations. When we look at particular dimensions of APC with regard to employee and employer obligations, we can only partially confirm our first hypothesis. For employee obligations, external marketability is only



significantly higher in Poland compared to the UK, but there are no significant differences between Slovenia and the other two countries; but for employer obligations Slovenia and Poland switch roles, as Slovenian score is significantly higher than the other two countries, but there is no difference between Poland and the UK. These results would suggest that both Polish and Slovenian students take their first jobs more as experience-building and just another step towards a successful career after completing education. The difference is that the Polish expect to build their own external marketability while Slovenian students expect this more from employers.

More interesting is the fact that Slovenians score significantly higher on stability than the other two countries, while there is no difference between Poland and the UK. It seems that traditional life-long employment and low voluntary turnover rates in Slovenia (Svetlik et al., 2004), along with the cultural characteristic of risk aversion (Jazbec, 2007), contribute to Slovenian students expecting to stay with organizations. But at the same time they are not willing personally to commit nor to protect the image of the organization - the score for loyalty in Slovenia is significantly lower than in either Poland or the UK. The prospects for employers in terms of employee engagement of Slovenian Generation Y are even bleaker if we look at the data regarding the performance dimension, where Slovenia again scores significantly lower than the UK (there is no significant difference with Poland). It is also interesting to note that there are no significant differences regarding employer obligations for stability, as all students expect it, even though they are less willing to commit to it. This is especially true for the UK, with the largest difference between stability as employee obligation and stability as employer obligation and could confirm claims that UK students are very well-educated, interested in their development and committed to what they are doing, but also happy to move on and do something else (Institute of Leadership & Management and Ashridge Business School, 2012). Our results also confirm that UK students are very demanding in terms of what they expect from employers (Maxwell and Broadbridge, 2014). Because of high costs of education, on which they want to capitalize as soon as possible after graduation (Ashridge Report, 2011), they are focused on performance and development. However, our results also suggest that students in all three countries do not only have high expectations of employers, as is the usual stereotype for the Generation Y, but are also willing to give a lot to employers, with the UK students leading by expressing significantly higher levels of loyalty, performance and development as employee obligations.

The discussion so far has partially confirmed our second hypothesis, that differences exist between Poland and Slovenia and so we can agree with those who argue that transitional countries in CEE region should not be perceived as being the same as there are also many differences between them. For example, with regard to APC, Polish students express significantly more short-term APC with regard to both employee and employer obligations and also narrower APC with regard to employer obligations. On the other hand, they also expressed higher levels of loyalty for both obligations. These results are contrary to what we hypothesized, as based on the effects of crises and cultural differences we expected Slovenian students to have higher transactional dimensions of APC than Polish and lower relational and balanced dimensions. It may be that despite these effects, the overall level of development which is still lower in Poland than in Slovenia (Roaf et al., 2014) affects perceptions more than relative effects of the crises or culture. This is certainly one possible research venue in

cross-cultural research of PC, finding what is the strengths of effects related to the socio-economic factors as opposed to national culture, possibly by identifying variables at the level of individual and not generalizing based on country characteristics as we did in our case and it should be identified as one of the limitation of the study.

Results regarding the link between trust and APC dimensions also only partially confirm our third hypothesis. General levels of trust in employer affect more dimensions of employer than employee obligations (not significant negative relation only with narrow as employer obligation), but contrary to what we expected trust is positively related to external marketability. For the employee obligations, direction for external marketability link is negative, but not significant. It is surprising that levels of trust do not affect stability as employee obligation and there is only weak relation to loyalty. Because we have data on working experiences for students in our sample, we wanted to test if prior working experiences affect levels of trust. ANOVA analysis confirmed that overall trust levels are the highest for the UK sample and the lowest for Poland regardless of how much work experiences there was. For Poland and Slovenia there were no significant relations between the lengths of working experiences and expressed trust levels. But it is interesting to see that in the UK, those students with no work experience express a significantly lower level of trust than those with experience and those with little work experience (1 to 3 months) express the highest levels of trust. This might indicate that UK employers and universities take internships more seriously and build better relationships with students who are also working while studying. It seems that there are opportunities for employers and education institutions in transitional countries to improve in this part of student engagement.

Our main purpose was to use the lens of psychological contracts to identify potential challenges regarding talent management in transitional countries. By analyzing the types of APC we can depict TM challenges in all three areas: attraction, management and retention of young talented people. Companies in transitional countries may have difficulty in attracting talent because young people have very high expectations from employers regarding relational and balanced dimensions of a PC. Also, many new opportunities are opening to young graduates outside their home country. For example, Felker (2011) identified young from transitional countries as a great pool for third country ex-patriate assignments for MNC in Europe, especially as the young get more educated and fluent in foreign languages and also more mobile than generations before them. Hence the ability to attract talent may be especially challenging for local companies which also have less developed HRM and TM systems and usually offer lower salaries than MNC subsidiaries. Employer branding based on understanding needs and expectations of young people should become a priority for local employers. Horowitz (2011) already hinted that association with a company's brand and reputation in the market for attracting and retaining talent is even more important in CEE countries. Our results showing low levels of trust among students from two transitional countries suggest that this is indeed the case. Companies should also systematically build trust at the pre-employment stage of PC formation, especially when students are working while studying. The way they are treated and how their PCs are fulfilled when they do internships, work as students or have part-time job will affect how they will frame their own obligations and obligations of their future employers (Eilam-Shamir and Yaakobi, 2014).

Our results also suggest that there could be many potential challenges with retention of young talent. In all three countries, but significantly more in Poland and Slovenia, external marketability is important, while stability is not as important as an employee obligation in all three countries. This suggests that young graduates may perceive their first job more as a means to improve their future career prospects. They are also used to part-time and short-term work engagements, thus it is more difficult to expect them to stay in an organization, and especially if their expectations will not be met (i.e. if a breach of the PC occurs). One possible solution would be for employers to try to understand what novices at work need and to adapt to their expectations. Another would be better communication with prospective employees and realistic job previews during the recruitment process. For retention it is not only important to have the right set of HRM practices, but a lot can be done by managing employees' perceptions about mutual obligations forming the PC (McCracken et al, 2015). Lastly, it is worth pointing out that we have discussed results on APCs looking at the means, but standard deviations show that differences among students in each country exist. Following Twenge's (2010) argument, that there is more variability within Generation Y than between generations, employers could also try to find potential candidates which would be the best fit to what an employer can offer. Through this the risk of PC breach would be reduced.

There are also challenges with regard to managing young talent, as relatively high expectations on many dimensions of PC would require investments from companies, especially in terms of training and development. The alternative is for employers and also education institutions to put efforts into helping graduates develop more realistic expectations, as it is well known that APCs are often naïve and inflated (Thomas & Anderson, 1998; Louis, 1980). Pickhardt (2011) also claims that graduates can expect to experience a higher level of happiness and fulfillment when their expectations are more closely in line with their likely reality. Thus, by helping graduates match their expectations with what employers can offer, potential tensions in employment relationships could be reduced and PC breach less likely to occur. This is even more important for the young generation because, according to life span control theory (Heckhausen et al., 2010), young novice employees do not yet have good control over how they react to emotional events and thus might react more negatively to perceived unfair treatment or feelings of not being valued and recognized in the work environment (Bal and Smit, 2012).

The UK students place significantly more emphasis on high levels of performance than Polish and Slovenian, suggesting that companies in transitional countries may have more challenges in how to engage young employees and motivate them for high performance. These lower expectations regarding performance are possibly a result of the belief that in transitional countries most of recruitment, selection to the talent pool, and promotion, depend not as much on one's competence and performance as on one's connections (Skuzza et al., 2013). Therefore, improved HRM practices and better-trained first line supervisors to implement HRM practices pertaining to recruitment, selection, development and promotion, could contribute to improved talent management in transitional countries.

## 9. Conclusions

Following the aim of our research, we presented results regarding APC in two transitional countries (Poland and Slovenia) and compared these to the traditional market economy (the UK). Overall, we may conclude that while students' expectations regarding employer obligations are rather high for relational and balanced dimensions, it is also true that they are also willing to offer a lot. Development is the highest obligation both for employees and employers for all countries, and stability is expected from employers but not as much from the employees. The UK students are significantly more focused on performance, possibly a result of the high cost of education which motivates them to perform well and through performance open opportunities for advancement. Besides differences between the UK and both transitional countries, we also found differences between Poland and Slovenia, not always in the predicted direction. This suggests that researchers should pay more attention to the socio-economic context as another important antecedent of the PC formation.

Based on our research we propose that the level of expectations regarding different employer obligations and the ability and willingness of the employer to actually offer expected inducements affect the attractiveness of an employer and the size and quality of the talent pool from which future employees are recruited. Also, the way mutual expectations evolve and are met by both employees and employers affects work attitudes, behaviors and outcomes (Zhao et al., 2007). When PCs have strong relational dimensions and there is fulfillment of obligations from the employer side (i.e. there is no breach or violation of a PC), there are fewer challenges with talent management compared to a situation with stronger transactional PC dimensions as voluntary turnover intentions diminish and conflict at workplace may arise. As PC's formation is a complex process, affected by many factors from individual, organizational and socio-economic environment and also at pre-employment stage (Rousseau, 2001), employers can benefit from increased understanding of anticipatory psychological contracts of students as potential future employees and members of the organization's talent pool.

We believe that our work contributes to an improved understanding of APC of the young generation and talent management challenges in several ways. To the best of our knowledge, this is the first comparative study of transitional and non-transitional countries, APCs. Also, by using the three types of APC (transactional, relational and balanced) we discovered some interesting results regarding particular dimensions which suggest that studying only types of APC may be less effective than looking at particular dimensions. Further research should be conducted to identify PC dimensions which reflect the realities of the new workplace and the young generation entering the workforce in bigger numbers. We also found important effects of the socio-economic context on PC formation. We identified TM challenges with regard to young generation in transitional countries and offered some solutions how to handle them, but more work should be done both in developing a better understanding of what young entrants to labor market want and what employers can do to attract, manage and retain their talents.

Besides these contributions, we should also mention some limitations. We used one university in each country, thus our findings may not be generalizable for the observed countries. We tried to match schools with regard to their quality and position in the country

and our results could therefore be transferable to similar institutions. Also, the UK sample is much smaller than the others, a limitation offset by the fact that it was used only as a control group. We have described how we used only secondary data regarding socio-economic context and national culture dimensions. This already lead us to suggestions for further research, which should look into how to operationalize these two constructs in order to be studied at the individual level as antecedents of APC. We also did not measure any personality traits or characteristics of the education system which could add to the quality of argument when student samples are studied. In our case, it would be useful to investigate how free vs. paid study affects students' expectations regarding their future employment. Further data from other transitional and non-transitional countries would widen the scope. We hope that this research will motivate others to contribute to the understanding of APC formation and talent management challenges in transitional countries.

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