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# Managers' retention decisions regarding young intermediate-level educated employees

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## Abstract

**Purpose** – The purpose of this paper is to investigate the opportunities in the labour market for young employees with intermediate-level education by studying which young employees are most likely to be retained and under what conditions managers favour retention.

**Design/methodology/approach** – Retention decisions are examined by combining a vignette experiment and a survey study. Hypothetical profiles of 252 young employees were rated on their retention desirability by 21 managers, each working in a different organisation. Information on the managers' characteristics and their organisations were collected in a survey.

**Findings** – Managers are generally not inclined to suggest retention. Their decisions are highly dependent on their own characteristics and organisational factors, even when young employees perform well and display desirable work-related behaviour.

**Research limitations/implications** – While the small scale and explorative nature of this study limit its generalisability, this paper highlights the importance of combining information on employees, the organisation and managers; when studying (early) careers and employment decisions.

**Practical implications** – This study suggests that job retention is only in part within an individual's control, and the future efforts to combat youth unemployment need to account for organisational and managerial characteristics.

**Originality/value** – The focus on the employer's perspective is new to research on early careers, making it a starting point for further lines of exploration. Further, this study provides a comprehensive insight into factors that influence managers' retention decisions by combining three sets of factors in a single research design.

**Keywords** Youth unemployment, Human resource management, Vocational training, Retention decisions, Vignette

**Paper type** Research paper

## Introduction

Young employees starting their career are typically employed on a fixed-term contract (De Lange *et al.*, 2014; European Commission, 2012). Although they could benefit from temporary employment, losing a job at the end of a contract could also hinder or delay their career development (De Lange *et al.*, 2014; Gebel, 2010). This may be especially the case for young employees who completed senior secondary vocational education (i.e. a total of 10-14 years of education; non-college). They may face difficulties in retaining and obtaining a new job as the demand for middling occupations, such as clerical and retail work, is generally decreasing in favour of high-skilled and low-skilled occupations due to technological change and task offshoring (Goos *et al.*, 2014). Besides, young intermediate-level educated employees are qualified with a relatively narrow range of job-related competencies, while generic and transferable skills are thought to be critical for one's employability (Heisig and Solga, 2015; Akkermans *et al.*, 2015). Retention decisions by managers may therefore become a critical



transition point in the early career of young intermediate-level educated employees. Yet, most studies on early careers rely on observations of individual employees, their characteristics, resources and behaviours (e.g. Defloor *et al.*, 2015; De Lange *et al.*, 2014; Akkermans *et al.*, 2014), while few studies have paid attention to demand-side factors and the preferences and decision-making process of managers (Wolbers, 2014; De Wolf and van der Velden, 2001). This study therefore focusses on the retention decisions of managers to gain a better understanding of which factors influence the probability of job retention for young intermediate-level educated employees.

Although research on retention decisions regarding this group of employees is lacking, prior work on employment decisions suggests that the job opportunities for employees depend on how managers perceive and assess their productive capabilities in a broader organisational context. There are studies indicating that managers attach considerable importance to the productive capabilities of employees, by showing that employee's competences, past performance and their motivation are positively related to promotion and retention decisions (Breugh, 2011; Longenecker and Fink, 2008; De Wolf and van der Velden, 2001). Others have focussed on the characteristics of the employing organisation and those of the manager and show that managers are more inclined to favour retention when their organisation is confronted with a tight labour market (Oude Mulders *et al.*, 2014; Karpinska *et al.*, 2013) and when managers consider employees as more similar to themselves (Principi *et al.*, 2015). Together, these studies highlight the complexity of decision making and suggest that a broad array of factors that need to be considered when studying retention decisions. Yet, only a few studies have combined factors relating to the employee; the employing organisation and the manager in a single research design. Consequently, it remains somewhat puzzling which factors are pivotal in determining employers' retention decisions, especially regarding young intermediate-level educated employees.

The aim of this explorative study is to contribute to the literature on early careers and retention decisions by examining to what extent managers' retention decisions regarding young intermediate-level educated employees are influenced by the productive capabilities of young employees, the characteristics of the employing organisation and those of the manager. The contributions of this paper are twofold. First, by combining information on the employee, the organisation and manager, we are able to comprehensively study managers' retention decisions and reveal which young intermediate-level educated employees are most likely to be retained and under what conditions managers favour retention. Second, this study focuses on managers' retention decisions regarding young intermediate-level educated employees, while prior work has predominantly focussed on more experienced employees (Karpinska *et al.*, 2013; Breugh, 2011) and college-educated employees (Hosoda *et al.*, 2012; de Wolf and van der Velden, 2001). As young intermediate-level educated employees are a relatively large and vulnerable group on the labour market (Heisig and Solga, 2015; European Commission, 2012), it would be of great importance to gain more knowledge about the retention probability of this group of employees.

To examine what factors influence managers' retention decisions, a vignette experiment and a survey study were carried out among managers from different organisations. In the vignette experiment, managers were asked to take retention decisions for several hypothetical profiles of young intermediate-level educated employees, who had recently finished a vocational training in a specialised job field such as health care, construction and administration. As most of them leave senior secondary vocational education between the age of 20 and 27 (Tepić, 2015), we broadly define young employees from age 18 to 30. Although a vignette experiment allows for a clear-cut analysis of a series of factors, the vignettes presented to respondents have to be strongly stylised and can only include a limited number of characteristics. Given the focus of this study, we chose not to include unvarying characteristics of young employees such as gender and ethnicity in the vignettes.

In the survey study, the same group of managers participated to collect information on their own characteristics and those of their organisation.

This study was conducted in the Netherlands, as the proportion of flexible contracts is one of the highest in Europe, especially among young employees starting their career (Cörvers *et al.*, 2011; European Commission, 2012). As young employees may become trapped in a cycle of temporary contracts interspersed with periods of unemployment due to (frequent) contract terminations, research showing which factors may hinder or boost young employees' likelihood of building a career is of great importance to policymakers for combating youth unemployment.

### **Theoretical background**

A retention decision can be considered as a decisional outcome of a complex evaluation process, in which managers evaluate various pieces of information and subsequently take a retention decision that they believe will maximise the benefits for the organisation (Karpinska *et al.*, 2013). The unique feature of retention decisions, contrary to hiring decisions, is that managers have had interactions, and thereby knowledge on the productive capabilities of employees eligible for contract renewal. This makes it unlikely that retention decisions are a result of so-called statistical discrimination (Arrow, 1973; Phelps, 1972), i.e. the attribution of average group characteristics to individuals to compensate for a lack of knowledge on individual productivity. In addition to the productive capabilities of employees, a firm's opportunity structure and managers' experiences and interactions with young employees could play a role, as those may facilitate the evaluation of retaining of young employees. In this study, we therefore assume that manager's retention decisions are influenced by three sets of factors: factors relating to the productive capabilities of young employees; factors relating to the organisational context; and factors relating to the manager charged with taking a retention decision. We elaborate on these three sets of factors below.

#### *Productive capabilities*

Managers are deemed to attach considerable importance to factors relating to the productive capabilities of young employees when taking retention decisions, as these are considered to be critical for running a successful organisation (Paauwe, 2004). According to human capital theory, the productive capabilities of employees refer to the stock of knowledge, skills and experience embodied in employees' ability to perform labour so as to produce economic value (Becker, 1975). Three factors can be considered relevant: task performance, vocational and social knowledge and skills and positive work-related behaviours. Task performance reflects the proficiency with which employees perform activities that are formally part of their current job, and may serve as an indicator for future productivity (Robertson and Smith, 2001). Employees who are performing their job according to the organisational standards are expected to contribute towards achieving the firm's goals, and may therefore be attractive for employers to retain. Likewise, a high level of vocational and social knowledge skills can be expected to increase employees functioning in an organisation. Third, positive work-related behaviours, such as willingness to learn and commitment may reflect the efforts employees exert to perform top-notch work and to remain employable. These behaviours are thought to signal employees' professional motivation, which can contribute to positive organisational outcomes such as higher productivity, organisational commitment and lower turnover risk (Knies and Leisink, 2014; Jiang *et al.*, 2012; Henkens *et al.*, 2009). Managers may reward this positive work-related behaviour by retaining employees. In this line, we expect that:

- H1.* Managers are more inclined to retain young employees who perform their job according to organisational standards.

H2. Managers possess relevant vocational and social knowledge and skills.

H3. Managers display positive work-related behaviours.

### *Organisational context*

The evaluation of employees and subsequent decisions is always taken in the context of the broader organisational setting, which defines the opportunity structure for personnel decisions (Karpinska *et al.*, 2013; Paauwe, 2004). Managers are expected to make retention decisions that meet current and future staffing needs and contribute to a firm's goals. Two factors can be considered relevant: a firm's staffing situation and a firm's investments in employee development.

First, it is not surprising that a firm's staffing situation can influence retention decisions. Macroeconomic-level developments such as business cycles or changes in demand for output define the opportunities and restrictions managers are deemed to consider when deciding on the retention of employees. During an economic downturn or decline in demand for output, managers will be more inclined to implement cost-saving measures and shed jobs rather than renew contracts. In contrast:

H4. Managers facing structural or incidental labour force shortages may be inclined to retain their younger employees to address workforce shortages.

Second, managers may also evaluate a firm's investment in employee development when taking retention decisions. Investments in employee development are conceptualised as the human resource (HR) practices applied to manage, retain and deploy the productive capabilities of employees to contribute to the goals of an organisation. While the productive capabilities of employees are mainly built by investments made during their initial education, research has shown that HR practices such as training and mentoring enhance employees' knowledge and skills, which, in turn, contribute to organisational outcomes such as voluntary turnover, operational outcomes and financial outcomes (Knies and Leisink, 2014; Jiang *et al.*, 2012). The enactment of these HR practices may encourage managers to retain young workers in three ways: first, HR practices may signal to managers that organisations stress importance to enabling employees to develop their talents, knowledge, skills, etc. Second, the implementation of HR practices requires resources – direct in the sense of the financial costs involved in designing and implementing measures; and also, indirect opportunity costs in the form of foregone productivity. As employers have already committed resources in offering HR practices, retaining young employees may lower the risk of sunk costs and allow the company to benefit from its investments. Third, through the implemented HR practices, young employees may possibly be better tailored for the job: they have obtained skills relevant for the position in an organisation and may also be more committed than an applicant from a general pool of potential employees. We therefore hypothesise that:

H5. Managers are more likely to retain young employees in organisations that enact HR practices to support the development of young employees.

### *Managers' characteristics and involvement*

In addition to evaluating the productive capabilities of employees and the organisational context, managers are also expected to have a certain leeway when taking employment decisions (Paauwe, 2004). Here, managers' experiences, interactions and interpersonal relationships with an employee might come into play. Three factors are assumed to be relevant: managers' social support to young employees, the position and age of a manager.

First, social support may indicate managers' involvement and interpersonal relationship with an employee. Based on Knies and Leisink (2014), we conceptualise social support as the direction, feedback and support managers provide to employees regarding their personal development and career. Managers providing social support to young employees are expected to feel committed to employee's well-being and career, and thereby actively seeking opportunities to act in an employee's interest:

*H6.* We expect that a greater social support positively affects retention decisions.

Second, management position may affect retention decision, as managers differ with respect to their primary responsibilities and engagement in directing and supervising employees on the work floor. Top managers are mainly responsible for formulating the strategic and long-term goals of the organisations, whereas middle managers are responsible for implementing this strategy and goals and front-line managers are responsible for the daily management of employees on the work floor (Yukl, 2002) frequent interactions. In contrast to top managers, middle and front-line managers have more frequent face-to-face interactions with employees, which may foster a close interpersonal relationship with higher degrees of trust and commitment. As a result, middle and front-line managers may become more likely to act upon the interest of employees. In line with this argument, we expect that:

*H7.* Top managers are less likely to have an interpersonal relationship with employees, and thereby are less willing to retain young employees than those in lower management positions.

Third, managers may differ in their likelihood to retain young employees due to varying levels of group identification with young employees. Using social identity theory, we expect that managers identifying with young employees as their own social group (in-group) may be more inclined to attribute positive characteristics to their subordinates, and are more likely to evaluate these employees favourably than managers considering employees to be from another social group (out-group) (Principi *et al.*, 2015). In line with this argument, we expect that:

*H8.* Younger managers may evaluate the qualities of young starting employees more favourably and are more inclined to retain them than older managers.

### **Data and methodology**

A vignette experiment and a survey were designed to collect data on managers' retention decisions. Step 1: a vignette experiment was carried out to simulate retention decisions and to study the preferences of managers regarding the productive capabilities of employees and a firm's staffing situation. Step 2: the same group of managers participated in a survey to collect information on managers' characteristics and those of their organisation. Carrying out the survey after the managers had judged the vignette experiment reduces the risk of priming, in the sense that the nature of the questions in the survey could influence managers' vignette decisions (Pager and Quillian, 2005).

#### *Participants*

The data were collected, in March and April 2012, from managers who were responsible for taking retention decisions regarding young intermediate-level educated employees in the Netherlands. Given the explorative nature of this study, purposive sampling and snowballing techniques were used to achieve a heterogeneous sample of managers. Specifically, we selected managers who differed with respect to their management position (i.e. top, middle and front-line managers) and organisational characteristics (e.g. size, sector) to ensure the presence of variability. This study is based on information from

21 managers employed in different organisations (13 males, 8 females; mean age 40 years). Three categories of managers were represented: top managers (28 per cent), middle managers (5 per cent) and front-line managers (67 per cent). They were employed in both public (40 per cent) and private sector (60 per cent) organisations. Due to the sampling strategy used, the obtained sample is rather small and is not considered to be representative of the population of Dutch managers. In Table II, more information is provided on the sample of managers.

### *Step 1: vignette experiment*

In vignette experiment, a short description of a person or a situation (i.e. vignette) is presented to participants to explore human judgements in social contexts (Wallander, 2009; Rossi and Anderson, 1982). A vignette contains a limited number of characteristics and values, which are randomly varied so that each combination of characteristics is equally likely. Due to this optimal variation in combinations of relevant characteristics, this method has been found appropriate for unravelling determinants of employment decisions (Karpinska *et al.*, 2013; Furnham and Petrides, 2006). In this study, each vignette provides a description of a hypothetical young intermediate-level educated employee (aged 18-30 years) who is eligible for contract renewal in a specific organisational context. Given our theoretical focus and the necessity to present well-organised and simple descriptions of young employees to our respondents (see Rossi and Anderson, 1982), we limited the number of vignette characteristics to eight. Those included the productive capabilities of employees such as employees' task performance (i.e. task performance), knowledge and skills (i.e. vocational and social knowledge and skills) and positive work-related behaviours in order to perform top-notch work and to remain employable (i.e. willingness to learn, commitment to team/organisation, taking responsibility for organising and completing work, carrying out tasks and plans independently). In addition, we included information on a firm's labour force situation. These nine vignette characteristics and their possible values are presented in Table I.

Vignette item	Categories manipulated by the researcher
<i>The organisational setting</i>	
A firm's staffing situations	Structural labour force shortages Temporary labour force shortages No labour force shortages Need for downsizing
<i>The productive capabilities of employees</i>	
Vocational knowledge and skills	Limited vocational knowledge and skills Considerable relevant vocational knowledge and skills
Social knowledge and skills	Limited social knowledge and skills Considerable social knowledge and skills
Willingness to learn	Not particularly willing to learn Very willing to learn
Committed to team and organisation	Not so committed Very committed
Taking responsibilities for organising and completing work	Not so responsible Highly responsible
Carrying out tasks and plans independently	Does not work very independently Does work very independently
Task performance	Fair Very good

**Table I.**  
Description of the vignette characteristics

Given the various characteristics and associated categories included in the vignettes, there are potentially 512 unique vignettes (i.e.,  $4 \times 2 \times 2 \times 2 \times 2 \times 2 \times 2$ , see Table I). From this total sample, each manager received a random sample of 12 unique vignettes and, as a result, a total of 252 vignettes were used in this study. Managers were informed that the vignettes represented young intermediate-level educated employees, who had just obtained a diploma at a senior secondary level of vocational training; were currently employed in their organisation, and whose contract was expiring. Subsequently, they were asked to evaluate the vignettes and to rate the probability of contract renewal on an eleven-point scale, ranging from 1 “contract renewal is very unlikely” to 11 “contract renewal is very likely”. An example of a vignette is shown in Figure 1.

### *Step 2: Survey*

After the managers had judged the vignettes, a survey was conducted among them to gain detailed information on their characteristics (social support, management position and demographic characteristics) and those of their organisation (e.g. HR practices, sector, size). Using the survey data, we constructed the following explanatory variables for our analyses (see also Table II for a summary).

HR practices regarding employee development were based on HR practices that are applied in an organisation to manage, retain and deploy the productive capabilities of employees. Based upon Knies and Leisink (2014), we selected four relevant HR practices

Below are various descriptions of young intermediate-educated employees who have just obtained a diploma at a senior secondary level of vocational training. All these employees would like to continue their employment in your organizations, but their temporary contract is coming to an end

Imagine for each profile that this young employee is currently working in your organization and that your organization is facing the labour force situation described

Please indicate, for each profile, the likelihood of you being willing to renew the contract of this person for the type of position you most often supervise

<i>Organisational setting</i>	
Actual labour force situation	Structural labour force shortages
<i>Applicant</i>	
Vocational knowledge and skills	Limited vocational knowledge and skills
Social knowledge and skills (e.g. communicative, cooperative)	Considerable social knowledge and skills
Willingness to learn (e.g. studious, interested)	Not so willing to learn
Committed to organization and vocation	Not so committed
Taking responsibilities for organizing and completing work	Highly responsible
Carrying out tasks and plans independently	Does not work very independently
Task performance	Very good

*What is the likelihood of you renewing the contract of this young employee in your organization?*

1	2	3	4	5	6	7	8	9	10	11
Very unlikely			Neutral				Very likely			

**Figure 1.**  
Vignette example

	Minimum	Maximum	Mean	SD
<i>Dependent variables</i>				
Retention recommendation	1	11	4.90	2.35
<i>Independent variables</i>				
Vignette information				
Productive capabilities of young employees				
Task performance	0	1	0.51	–
Vocational knowledge and skills	0	1	0.52	–
Social knowledge and skills	0	1	0.52	–
Willingness to learn	0	1	0.52	–
Commitment	0	1	0.49	–
Taking responsibly	0	1	0.47	–
Working independently	0	1	0.47	–
Firm's staffing situation:				
Structural labour force shortage	0	1	0.22	–
Incidental labour force shortage	0	1	0.26	–
No labour force shortage	0	1	0.26	–
Need for downsizing	0	1	0.27	–
Survey information				
Organisational characteristics				
Public sector organisation (reference category: private)	0	1	0.40	–
Size	0	4	1.53	1.15
Mentoring	0	1	0.73	–
Training and development	0	1	0.93	–
Structured career planning	0	1	0.53	–
Career mobility	0	1	0.83	–
Managers' characteristics				
Gender (reference category: male)	0	1	0.47	–
Age	24	59	40.33	10.24
Top managers	0	1	0.28	–
Middle managers	0	1	0.05	–
Front-line manager	0	1	0.67	–
Career support by managers	1.50	4	2.89	0.55
Psychosocial support by managers	2.75	4	3.25	0.35

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**Table II.**  
Descriptive statistics  
of the data collected  
in the sample

**Note:** Retaining is very undesirable (1) to retaining is very desirable (11)

aimed at employee development: mentoring, training and development, structured career planning and internal career mobility. Managers were asked to indicate the extent to which these four HR practices were used in their organisation to develop young employees (0 = is not applied; 4 = fully applied). As factor analysis revealed no coherent factor structure, the HR practices were used in the analysis as dummies, where they were coded 1 if applied and 0 if not.

Management position is based on the current position of a manager in their organisation. Three types of management positions were distinguished: top management (senior management positions such as owner, CEO, director); middle management (intermediate management positions such as HR manager, HR staff member) and front-line management (daily supervisory positions such as head of department or team).

Social support was measured using the four-item scales of Knies and Leisink (2014) on managers' support for employees' development and support of employees' well-being and functioning. On a five-point scale, managers were asked to indicate their support on four statements about facilitating career development opportunities for young employees and on four statements regarding the interest they take in young employees' personal functioning (1 = "not at all" to 5 = "fully applied"). Based on the factor analysis, we included (a) support

for employees' development (4 items,  $\alpha = 0.83$ ) and (b) support of employees' well-being and functioning (4 items,  $\alpha = 0.78$ ) as two explanatory variables in our analyses. To rule out multicollinearity problems between support for employees' development and HR practices, correlations between those concepts were calculated. The results indicate that support for employees' development was in general modestly correlated with the HR practices (0.20-0.52).

Managers' age is referring to the age of managers at the time of the survey and was measured by a continuous variable.

We controlled our analysis for managers' gender (0 = male; 1 = female) and several organisational characteristics to account for the variation in our sample. The organisational characteristics were assessed using three variables. Managers were asked to indicate whether they are working in a public or private sector organisation and in which industrial sector their own organisation is operating (industry and construction; services and trade; education, health, government and other)[1]. Further, organisation's size was assessed by asking managers how many employees were employed in their own organisation. Table II provides information on the independent and control variables.

### *Analysis*

The data have a hierarchical structure, with 252 vignette observations among 21 managers. As such, the observations are not independent (Wallander, 2009; Hox, 2010). Given the hierarchical structure of the data, we used multilevel regression analysis to determine whether retention decisions differed between vignette observations (level 1) and variables at the level of managers (level 2). The intra-class correlation of the multilevel model with no explanatory variables is 0.20. Although most of the variation was on the level of vignette observations, the interclass correlation indicated that approximately 20 per cent of the total variance could be attributed to the grouping of the data, implying that a multilevel analysis is required to accurately examine managers' retention decisions. Subsequently, we performed a multilevel model analysis with fixed effects to determine which factors influence the contract renewal decisions by managers. Most variables measured were included in the analysis as dummy variables, except for managers' age and supervisor support, so the coefficients estimated for each dummy variable are directly comparable.

### **Results**

Table III reports the results of the multilevel regression analysis. We reported the unstandardised regression coefficients, which refer to the likelihood of retaining young employees on a scale from 1 to 11.

The results in Table III show that all three sets of factors affect managers' retention recommendations. First, the results showed that factors related to the productive capabilities of young employees, except the ability to work independently, positively affect retention decisions. Of these, task performance, commitment and behavioural competences were particularly important. This provides support for *H1-H3*.

Second, with respect to organisational context, a firm's staffing situation and applied HR practices play a significant role in retention decisions. As expected in *H4*, need for labour had a positive influence on retention decisions by managers. Managers dealing with structural or incidental labour shortages were more inclined to retain younger employees. Organisations facing no such shortages did not differ significantly from the reference category of organisations in need of downsizing. In line with *H5*, the results also showed that career mobility practices had a significant positive effect on retention. No significant effects were found for the other HR practices aimed at employee development. *H5* was therefore only partially supported.

Third, we found that the extent to which managers were involved with the employees also played a part in the decision. Consistent with *H6*, we found significant positive effects of support of employees' well-being and functioning on retention. In contrast, a significant

	B	SE	Managers' retention decisions
<i>Employee-level factors</i>			
Productive capabilities of young employees			
Task performance	1.36**	0.21	
Vocational knowledge and skills	0.93**	0.21	
Social knowledge and skills	1.04**	0.20	
Willingness to learn	0.88**	0.20	
Commitment	1.14**	0.20	
Taking responsibly	0.79**	0.21	
Working independently	0.26	0.21	
<i>Organisational-level factors:</i>			
Firm's staffing situation (reference category: need for downsizing)			
Structural labour force shortage	1.70**	0.31	
Incidental labour force shortage	0.77**	0.28	
No labour force shortage	0.07	0.29	
Public sector organisation (reference category: private)	0.45	0.58	
Size	0.18	0.16	
Mentoring	0.35	0.57	
Training and development	1.39	1.19	
Structured career planning	0.52	0.45	
Career mobility	1.90**	0.60	
Gender (reference category: male)	1.47*	0.64	
Age	-0.06*	0.02	
Management position (reference category: top manager)			
Middle managers	-5.20**	1.78	
Front-line manager	-1.42**	0.55	
Career support by managers	-3.49**	0.79	
Psychosocial support by managers	2.92**	0.82	
Constant	1.23	1.94	
Manager level variance (level 2; survey)	0.36	0.17	
Employee-level variance (level 1; vignettes)	2.41	0.22	
Log-likelihood (degrees of freedom)	-479.31 (df = 22)		
Wald $\chi^2$	223.77 (df = 22)		
<b>Notes:</b> $n = 252$ . $B$ , uncentred regression coefficient. * $p < 0.05$ ; ** $p < 0.001$			

**Table III.**  
Results of the multilevel analysis of managers' retention decisions regarding young intermediate-educated workers

negative association was found for support for career development. This provides only limited evidence for *H6*. In addition, management position had a significant effect on retention decisions. Contrary to our expectations, our results showed that middle managers and front-line managers were less likely to recommend retention than top managers. *H7* was therefore not supported by the results. Finally, retention decisions are influenced by managers' age. The negative effect supports our *H8* that younger managers were more inclined to retain young employees than older managers.

In the analysis, we also controlled for the characteristics of managers and those of their employing organisation. Of these, managers' gender is related to retention decisions; female managers are more inclined to retain young employees than male managers. However, a firm's size and sector did not affect the retention propensity.

To sum up, retention decisions depend on factors relating to productive capabilities of employees; the characteristics and experiences of managers (i.e. management position, age, gender) and organisational factors (i.e. career mobility practices). To illustrate which employees are more likely to be retained and under what conditions managers favour retention, retention recommendation scores for various types of young employees were predicted using the results of the full model presented in Table III. Young employees were defined "highly productive" as they were performing well, having relevant knowledge

and skills, are willing to learn, committed and taking responsibility for organising and planning their work, whereas those who did score low on these variables were defined as low productive. The retention decisions for those employees were placed in different organisational conditions (structural labour force shortages and offering career mobility, and need for downsizing and no career mobility practices). Table IV depicts the predicted scores.

The results show that in a situation where organisations shed jobs and offer no career mobility practices, the predicted retention recommendation score for both well and underperforming employees is rather low, as evidenced by the score of 3.13 and 4.49 and on a scale from 1 to 11. The retention for employees with high productive capabilities substantially increased to just above the neutral value of 6.21 when the employing organisations face labour force shortages and have implemented career mobility practices. In contrast, young employees with low productive capabilities have few opportunities, regardless of a need for labour and implemented career mobility practices in an organisation (score = 4.85). In sum, these results suggest that productive capabilities can increase the likelihood of retention, but that retention is to a large extent dependent on the organisational setting.

### Discussion and conclusion

This explorative study provided valuable insights into a pivotal yet understudied juncture in the early career of young intermediate-level educated employees by being among the few studies examining their opportunities in the labour market from an employers' perspective. Using the combination of a vignette and survey study, this study has shed more light on the probability of job retention for young intermediate-level educated employees by showing which young employees are most likely to be retained and under what conditions managers favour retention. First, the results indicate that their retention probability is rather limited as managers are generally not inclined to favour retention of young intermediate-level educated employees. Second, this study shows that the probability of retention depends on the productive capabilities of young intermediate-level educated employees, the characteristics of their employing organisations and those of their manager. A high level of productive capabilities is an important condition for increasing the retention probability of young employees. Particularly important were task performance, commitment and social knowledge and skills. While young intermediate-educated employees are qualified for a rather narrow set of occupations which require specific vocational knowledge and skills, this study highlights the importance of working hard and having versatile sets of competences for securing employment in an organisation. Although having high productive capabilities could increase their probability of job retention, factors related to the organisational setting and characteristics of a manager charged with the retention decision appear to outweigh the importance of the productive capabilities of young employees.

Organisation-level factors are critical for the retention of both well-performing and underperforming young employees. Labour market shortages connected with the business cycle and the enactment of structured internal career mobility practices increased their probability of job retention. While these conditions appear to substantially increase the retention probabilities for well-performing employees, underperforming young employees are

**Table IV.**  
Predicted scores of  
retention  
recommendation

	Productive capabilities of young employees	
	Low	High
Need for downsizing – no career mobility	3.13	4.49
Structural labour force shortage – career mobility	4.85	6.21

**Notes:** Predicted scores of retention recommendation for employees with low and high productive capabilities in different organisational settings (on a scale of 1 to 11)

usually not considered for retention regardless of the labour market conditions and application of internal career mobility practices within an organisation. Notably, other HR practices aimed at employee development such as training, did not significantly affect retention recommendations of managers. This may suggest that especially career mobility practices encourage managers to retain employees in order to retain talents, lower the risk of sunk costs of investments in young employees and allow the company to benefit from these investments.

In addition to the productive capabilities of young employees and the organisational setting, the influence of several of the manager's characteristics have also been found to influence the retention decision. Managers' position appeared to be highly relevant for increasing ones' retention probability. Contrary to our expectation, the results showed that top managers were more inclined to retain young employees than front-line managers and middle managers. These findings partly support the previous work of Yukl (2002) in suggesting that top managers experience less restrictions and more leeway to act when taking retention decisions. Why top managers are more inclined to renew contracts, and especially middle managers appear to be less inclined to do so, warrants a large-scale empirical study on managers' motivations and interactions with employees. Another surprising finding was the effect of social support. Managers' support for employee development was negatively associated with retention decisions, whereas support of employees' well-being and functioning increased the probability of job retention. One possible explanation for these findings may be that support for employees' development is considered by managers as part of their job, which not necessarily coincides with an interpersonal relationship in which they are actively seeking for opportunities to retain these employees. In contrast, providing psychological support to employees may foster a close (r) interpersonal relationship with higher degrees of trust and commitment between a manager and an employee, by which managers may advocate their subordinates' career progression. Further, the results highlighted the importance of a manager's age and gender in determining retention likelihood by showing that younger and female managers are more inclined to favour retention of young employees than older and male managers. The former finding is consistent with the results obtained in other studies on employer's decisions (e.g. Principi *et al.*, 2015), suggesting that in-group bias, a mechanism of favouring a member of one's in-group plays a role when it comes to retention decisions. However, as we did not examine the attitudes, views and experiences of managers regarding young employees, so this issue warrants further research. The gender-effect is rather surprising as prior work shows no difference between male and female managers taking retention decisions (e.g. Oude Mulders *et al.*, 2014; Karpinska *et al.*, 2013). This may suggest that female managers taking retention decisions are driven by other motivations or values than male managers, by which they are more willing to provide chances to young employees to prove themselves in the workplace. While these differences among managers could imply that some take better decisions than others, they do suggest that the likelihood of young employees being offered extended employment depends, rely to a great extent, on who happens to be the manager taking that decision.

The results of this explorative study are largely in line with the results of previous research on retention decisions regarding older employees in showing that combining information on the demand and the supply side of the labour market is necessary to better understand the employment opportunities of employees. Still, the underlying processes explaining managers' behaviour with respect to the retention of younger and older employees may be quite different. For younger employees, employers might consider these workers' potential regarding productivity growth as well as the development of the demand for workers in the jobs they currently hold. For older employees, different considerations might be relevant, e.g., the risk of health problems and whether these workers still match with particular vintages of the capital stock within the company. Probably, but this is also a topic for future research, the time horizon employers consider with respect to the retention of younger workers may be longer than when it comes to older workers' retention.

This study has a number of limitations. First, we have already mentioned the limited scale and explorative nature of this study. Nevertheless, this study is one of the first studies on this topic and could inspire further research to explore the motivations and decisions of managers in greater detail. Second, we could not include the age, gender and ethnicity of young employees in the vignettes, but instead focussed on the work-related behaviours of young employees and the labour force situation of the employing organisation. Although this creates to some extent an artificial experimental setting, prior work on employment decisions has reported mixed results of the impact of the demographic characteristics of employees (e.g. Hosoda *et al.*, 2012; Furnham and Petrides, 2006; De Wolf and van der Velden, 2001). Moreover, it appears that part of the effects of age, gender and ethnicity can be accounted for differences in employees' qualifications and employers' attitudes towards employees (Powell and Butterfield, 2002). Nonetheless, we acknowledge that managers may act or decide in different ways in a real-life situation. Third, this study was conducted among managers from various branches of industry. This made it rather difficult to specify a realistic set of job functions for the young employee. Although one could argue, for example, that a nurse needs other qualities and qualifications than a mechanic, our vignette characteristics were chosen for their general relevance across occupations. In addition, no attention was paid to the contract type when studying retention decisions, while prior work suggests that employers may be reluctant to retain employees when they have to offer them a permanent contract (Oude Mulders *et al.*, 2014). As managers were instructed to evaluate starting employees who have just obtained a diploma, it is unlikely that contract renewal implies a permanent contract. As we are not able to investigate whether managers differ in their judgement with respect to a certain contract type, future research must show whether the results of this study also hold for various contract types. Finally, this study was conducted in 2012 during a difficult economic climate that was reflected in high youth unemployment rates; increasing use of flexible contracts and a declining flow into permanent jobs. In this economic situation, employers may have been pessimistic about future economic opportunities and may have felt more cautious when considering renewing contracts than they would have been under more favourable economic conditions. These various limitations could be addressed in future studies. Another valuable step would be to study the actual impact of managers' retention decisions on the career development of younger employees through a longitudinal study design. It could be that, on being dismissed, young employees quickly find a similar or even better job at another organisation given their increased experience. It would therefore be relevant to examine the long-term impact of a managers' decision on the early career of young employees.

Despite these limitations, our study shows that personal competences and efforts of young employees can increase their likelihood of being retained, but are also highly dependent on the organisational and personal circumstances within which managers take retention decisions. We therefore conclude that young employees generally have limited agency over their chances of job retention, and that both demand and supply forces may help to understand the employment opportunities of young intermediate-level educated employees. Policymakers should be aware of this in their efforts to combat youth unemployment and improve labour market integration of young and starting employees. In addition to developing initiatives aimed at equipping young people with the relevant knowledge, skills and information for the labour market, policy makers should also make efforts to stimulate employers to facilitate opportunities for young employees to prove themselves in the workplace and support their transition into regular employment. By providing employers – especially those in smaller organisations – with tools to foster the development of young employees in temporary contracts (e.g. by job rotation, career advice or financial compensation), policymakers can contribute to the employment prospects of young employees, and ultimately contribute to their sustainable labour market participation.

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**Note**

1. Industrial sector is not included in the final analysis, as we did not find significant differences between the sectors and the model fit did not significantly improve by including this variable.

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