Retirement Benefits as a Two-way Street: Investigating Psychological Mechanisms of Retirement Benefits on Employee Outcomes – A Conceptual Model.

Min-Kyu Joo
University of Houston

Organizations are increasingly shifting from defined benefit (DB) to defined contribution (DC) retirement plans. While such changes may lower organizational costs, the shift to DC plans has been conducted without consideration of how these changes may affect the exchange relationship that exists between organizations and employees. Drawing on previous benefits research and organizational support theory, I develop propositions regarding how retirement pension plans may affect a range of employee outcomes and provide a warning to researchers and practitioners not to overlook possible important side effects of the shift from DC to DB plans.

INTRODUCTION

Researchers have traditionally framed retirement benefits and pensions as a human resource tool valuable for influencing behavioral outcomes (e.g., regulating work effort, turnover, retirement, and worker quality). For instance, benefit packages are helpful in retaining talented employees (Useem, 2000), and Allen, Clark, and McDermed (1993) suggested that the provision of a pension plan is negatively related to employee turnover.

However, research has shown that such benefits may constitute as much as one-third of an organization's labor costs (Hewitt, 2002; US Chamber of Commerce, 2007). Furthermore, employees are apprehensive about affording retirement. Recent surveys have found that only 23% of employees feel secure in the fact that their retirement savings will sustain them through the first 15 years of retirement (Towers Watson, 2014). The proportion of employees who have high confidence in their financial security after retirement is at its lowest level (13%) in many years (Helman, Copeland, & VanDerhei, 2009), and that baby boomers have serious financial concerns about their ability to manage retirement (Adams-Price, Turner, & Warren, 2013).

Over the past 35 years, long-term costs have led to shifts toward defined-contribution (e.g., 401k plans) and away from defined-benefit plans (e.g., traditional pensions) (Dulebohn, 2002; Dulebohn et al., 2009). In order to save benefit costs, organizations have cut back on their retirement obligations by transitioning from DB to DC plans (Conlin, & Berner, 2002). While this may be a rational move from a financial standpoint, as benefit costs have risen at a pace much higher than inflation in the past several decades (Kalamas, Kuo, & Ungerman, 2005), such strategies may lower the value employees place on affiliation with the company and cause them to feel less supported by the organization. Such side-effects of benefit choice may affect employees' attitudes toward the organization, and in turn result in individual or group level performance.

Consequently, there exists a large gap in our knowledge regarding if and how an employer's choice of a specific type of retirement plan might affect workers' feelings about their employer and their relationship with their employer. The few studies that have focused on the effect of retirement benefits on employee psychological outcomes have found interesting results. For example, Hsu (2013) and Sundali, Westerman, and Stedham (2008) found that employees who have access to a pension feel less worried about retirement. Additional studies have indicated that the provision of valued benefits is positively related to job satisfaction (Williams, Malos, & Palmer, 2002) and negatively related to turnover intentions (Lane, 1993). It is important to both practitioners and researchers that I further consider important employee-level effects of organizational plan adoption, and such information should be available for organizational decision-makers to consider when they are making retirement plan choices.

Perceived organizational support (POS; Eisenberger, Huntington, Hutchison, & Sowa, 1986) may help us to shed some light on the ways in which retirement benefits might affect an employee's relationship with his or her employer. POS refers to an employee's perception of the extent to which an organization cares about his or her well-being and values his or her contribution (Eisenberger et al., 1986). Considering the fact that retirement benefits are provided for the express purpose of ensuring an employee's well-being after the working relationship with the employer has ended, it seems logical that the type of retirement benefits offered will affect an employee's POS.

With this paper, I aim to make three specific contributions to research and practice. First, by conceptually exploring the relationship between retirement benefit offerings and employee perceptions of the employee-employer exchange relationship, I seek to supplement existing knowledge concerning the effect of retirement benefits on employee psychological states and the outcomes resulting from those psychological states. Second, the model expands knowledge of the antecedents of POS to include inducements beyond the awards and recognition that have been studied (Eisenberger & Stinglhamber, 2011). Third, the model may provide important information for human resource managers to consider when they are faced with decision regarding which type of retirement plan would best suit their organizations. Below, I develop theoretical arguments to highlight the effects that retirement plan choice may have on important employee and organizational outcomes.

THEORETICAL BACKGROUND

Retirement Benefits

> *"The disappearance of the defined-benefit (DB) pension plan is one of the greatest financial tragedies to befall the U.S. citizen"*- (Philips & Muralidhar, 2008, p. 62).

Retirement benefits in the United States consist of two main types of plans – defined benefit (DB) plans and defined contribution (DC) plans. In defined benefit plans, the risk to the principal and returns is held by the organization, which takes on the task of managing contributions, investment, and distribution of these retirement funds. The second type of plan, the defined contribution plan (e.g., 401k), provides employees with an annual sum equal to a set percentage of pay, which the employee must then invest and manage on his or her own. In such a plan, the risk of investment is assumed by the employee, rather than the organization, and the employer has no obligation other than to contribute the promised amount to the employee (Dulebohn et al., 2009). Over the past 35 years, there has been a significant decline in the use of DB plans, and a simultaneous growth in the use of DC plans (Dulebohn, 2002; Dulebohn et al., 2009; Friedberg & Webb, 2005; Salvador, 2012). Today, approximately 98% of employers offering retirement plans offer a DC plan, while only 29% offer a traditional DB plan alone or in combination with a DC plan (Aon Hewitt, 2014) - Some companies provide both types of retirement benefits.

In addition, a third type of plan, known as a hybrid plan, has begun to gain favor among both employees and organizations (EBRI, 1996). Approximately 17% of Fortune 500 companies are now offering hybrid plans to new hires (McFarland, 2014). These hybrid plans take features from both DB and DC plans, in effect splitting the risk of investment between employers and employees. For example, in a floor-offset (or feeder) plan, a minimum defined benefit is set for retirees. Funds are then contributed to an employee's individual account, mimicking a DC plan. At retirement, if the amount available to take as a benefit from the DC plan exceeds the minimum floor, then the participant will receive that DC benefit. However, if the DC plan is not sufficient to provide a benefit equal to or greater than the specified minimum benefit, the DB plan will come into effect and provide the difference between the minimum and the available DC benefit (EBRI, 1996).

The study of retirement benefits in a human resources context has generally been applied in nature, with little consideration of the underlying psychological effects that the provision of benefits might have on employees. Extensive work has been done in economics and finance regarding employee risk perceptions, risk propensity, and similar issues surrounding employee behaviors and reactions with respect to participation in and allocation of funds in DC plans (e.g., Benartzi & Thaler, 1999, 2001, 2002; Sethi-Iyengar, Huberman, & Jiang, 2004). In addition, factors such as age, years of service, salary, and preference for plan features have been shown to influence employee choice between DB and DC plans when both are available (Clark, Harper, & Pitts, 1997; Dulebohn, Murray, & Sun, 2000).

However, the focus on employer choice of offerings has largely focused on issues of cost and risk-bearing, disregarding employee-level behavioral and psychological considerations. Studies of employee plan preference have found that, because benefit levels in DB plans are usually perceived by employees as more generous than DC plans, employees tend to have a preference for DB plans (Gustman & Steinmeier, 1989; Ministry of Labor in South Korea, 2008). Employee preference is however, not likely a driving factor behind many organizational retirement benefit offering decisions.

The effects of retirement plan offerings on employee outcomes beyond savings accumulation and risk bearing have not been widely studied, yet the importance of retirement benefits to employees, coupled with the fact that less than a quarter of employees feel secure in their retirement savings (Towers Watson, 2014), seems to indicate that retirement benefits may have other more proximal effects on employees than simply when and whether they will be able to retire.

Researchers studying the differential effects of different types of benefits have typically classified individual benefits into one of two categories – traditional and non-traditional/career-enhancement (Blau, Merriman, Tatum, & Rudman, 2001; Lineberry & Trumble, 2000; Muse & Wadsworth, 2012). Traditional benefits are those typically offered by most organizations (e.g., retirement, medical, life insurance) and that address employee safety and security-related needs (Muse & Wadsworth, 2012). Non-traditional benefits are not offered by all employers and thus have not become something that employees generally expect their organization to provide (e.g., flex-time, tuition reimbursement, and rewards for advanced degrees).

I propose that further distinction is needed, beyond simply whether benefits are traditional or non-traditional, to provide a finer-grained understanding of employee benefits; benefits may be "traditional" when taken as a whole, but certain forms of these traditional benefits may be (or be fast becoming) non-traditional. Taking retirement for example, simply studying retirement without considering the range of options from defined benefit and defined contribution plans has left researchers with an incomplete picture of the potential such benefits have to affect employee-level job-relevant psychological states.

Transactional vs. Relational Employment

Philips and Muralidhar (2008) argued that the transition from DB to DC makes retirement planning more difficult, as it increases ambiguity about future financial security. As such, the transition from DB to DC may influence employees' perceptions regarding whether or not organizations care about their well-being post-retirement. The transition from DB to DC plans over time highlights a shift from a more relational form of employment to one based on economic transactions (Gough & Arkani, 2011; Westerman & Sundali, 2005). Organizations that emphasize a more relational form of employment tend to utilize long-term, supportive compensation practices that build trust with employees. Organizations that engage in a more transactional form of employment tend to apply inflexible, immediate salary and cash payouts that emphasize immediate pay for immediate, short-term performance (Rousseau, 1989, 1995; Rousseau & Ho, 2000). Organizations that pursue the transactional model in their relationships with employees may consider retirement pensions as less valuable to short-term goals, and thus an unnecessary cost. However, empirical findings have supported the idea that DB and DC plans influence worker short-term versus long-term focus. According to Friedberg and Turner (2011), DB plans are strongly related to worker retention, because employees provided with DB plans tend to postpone retirement in order to maximize the accrued wealth in their pensions.

Given the dynamic state of today's business environment, it is necessary for organizations to be prepared to cope with unexpected challenges. Because of this, it may well be that organizations value short-term, transactional relationships with employees, because these relationships provide firms with the flexibility to quickly adjust their workforces to meet environmental demands. The days of one person, one job for life may be long gone in many industries, and the expectation for many firms (and employees) may be simply a good day's pay for a good day's work, with no expectation of future rewards (Rousseau & Ho, 2000). Thus, a DC plan that is more explicit, flexible, and short-term focused may be more suitable for organizations in the current business environment, many of whom have indeed decided that the most important criterion of benefit offerings is reducing cost (Curran, 2009).

While this may be the case, it is still important to consider the possible effects of DC plans on employees in the short term, as compared to DB plans, as the choice between DB and DC plans could have important costs to the organization beyond short-term economic considerations. Westerman and Sundali (2005) proposed that DC plans serve to make employee relationships more idiosyncratic and weaken any common identity among workers that may result from employment in an organization. In contrast, DB plans are more supportive of the development of a long-term employment relationship, and may be a useful way to bind the interests of employees and employers together.

Dysfunctional employee turnover is an expensive process for organizations, as they must invest in recruitment, selection, training, and lost productivity in order to fill vacated positions (Kacmar, Andrews, Van Rooy, Steilberg, & Cerrone, 2006; Sagie, Birati, & Tziner, 2002). It is often in the best interests of organizations to minimize dysfunctional turnover wherever possible.

Scholars have identified two pathways relevant to the current discussion that organizations might use to encourage long-term job behaviors. One is to pay employees well above the market average, and the other is to encourage bonding between the employee and the organization (Allen, Clark, & McDermed, 1993). In an employment environment characterized by the use of DC plans and an emphasis on transactional relationships, it is less likely that bonding of the type that can produce long-term job retention will occur. When employees acquire context- and firm-specific knowledge, skills, and abilities, they can represent an important competitive advantage for firms (Barney, 1991; Ployhart, Van Iddekenge, & MacKenzie, 2011). As a result, organizations should consider signals that they send to employees which encourage transactional employment relationships, such as retirement plan choice. These considerations are important, as fostering transactional relationships may cause firms to encounter problems such as knowledge loss, which creates problems with the adoption or implementation of long-term projects such as research and development, for example.

Perceived Organizational Support

Employees have a tendency to personify their organizations and develop perceptions about whether or not the personified organization holds benevolent or malevolent intentions toward them as employees (Eisenberger & Stinglhamber, 2011; Rhoades & Eisenberger, 2002). Previous studies have established a range of antecedents of POS, including justice and fairness (Rhoades & Eisenberger, 2002; Shore & Shore, 1995), support from supervisors (Kottke & Sharafinski, 1988; Yoon & Lim, 1999), recognition, pay, and promotions (Rhoades & Eisenberger, 2002), job security (Allen, Shore, & Griffeth, 2003), and organization size (Deckker & Barling, 1995). The common thread running among these antecedents is that these actions on the part of the organization emphasize to employees that the organization cares about their well-being and values their contribution. Such signals from the organization meet key socio-emotional needs of employees (such as esteem, approval, and emotional support) (Eisenberger & Stinglhamber, 2011), which encourages employees to socially identify with their organizations and their roles within them (Rhoades & Eisenberger, 2002).

Such social identification and positive feelings toward the organization engage the norm of reciprocity (Gouldner, 1960), which is the social norm which requires reciprocation for favorable treatment. Employees who feel that they have been treated well by the organization are likely to reciprocate by treating the organization well out of both felt obligation and the desire to maintain a positive relationship with it (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). Employees reciprocate for high POS in a number of ways that are beneficial to the organization, including increased organizational commitment (Armeli, Eisenberger, Fasolo, & Lynch, 1998), job satisfaction (Eisenberger et al., 2001), increased in-role and extra-role performance, and decreased turnover intentions (Rhoades & Eisenberger, 2002).

Despite the fact that employee benefits are provided in order to protect the well-being of an employee, and despite the fact that perceived organizational support is a measure of the extent to which an employee feels that his or her organization cares about his or her well-being, few studies have investigated the relationship between benefit programs and POS. Those that have investigated this relationship have focused primarily on work-life benefits (e.g., Lambert, 2000; Muse, Harris, Giles, & Field, 2008).

In a notable exception, Muse and Wadsworth (2012) studied the relationship between certain classes of benefits and POS, finding that only "non-traditional" benefits, defined as those not typically provided by all employers, had a significant relationship with POS. They did not find a relationship between traditional financial benefits (which included retirement programs) and POS. This may be due to the fact that, for analysis, retirement programs were lumped in with other financial benefits, such as disability insurance, life insurance, and the presence of an employee credit union. The authors did not attempt to distinguish between types of retirement plans or certain retirement plan features – features which might independently influence an employee's POS. Drawing upon the same basic theoretical arguments developed by Muse and Wadsworth, I offer my model in an attempt to explicitly examine retirement benefits as an antecedent of POS. My goal is to enhance the understanding of the relationship between specific retirement benefit types and features, POS, and employee-level outcomes, such as in-role performance and extra-role performance.

PROPOSITIONS AND A CONCEPTUAL MODEL

The lack of studies of the retirement benefit – POS relationship may be attributable to the general lack of retirement benefit research in the management literature, or it may be due to the fact that much of the research into antecedents of POS have focused on more abstract organization-level constructs such as climate, culture, and justice (Rhoades & Eisenberger, 2002), or individual/dyad-level characteristics such as supervisor support (Kottke & Sharafinski, 1988) or leader-member exchange (Hofmann & Morgeson, 1999).

One issue may be the fact that only programs and actions that are seen by employees as voluntary on the part of the organization typically give rise to POS (Eisenberger & Stinglhamber, 2011). Any benefit program that is mandated by a regulatory framework (e.g., the requirement under the Affordable Care Act to provide health insurance to employees) or otherwise provided through some kind of perceived coercion does not indicate to an employee that the organization cares about his or her well-being. This may be the reason why previous studies (e.g., Muse & Wadsworth, 2012) have not found a relationship between employee benefits and POS levels. In the case of Muse and Wadsworth, employees were simply asked about the perceived value of broad classes of benefits. An example of the items used to measure this perceived value is "How valuable do you think [a retirement plan] is or could be in the future to you or your family?"

A possible explanation for the lack of support that Muse and Wadsworth found for a relationship between retirement benefit offerings and POS could be the fact that there was no attempt made to distinguish between DB and DC plans, which provide markedly different options in terms of risk and effort required of the employee.

While employers are not required by law to provide a retirement plan to employees, there is an expectation on the part of many employees that one will be provided. Furthermore, most firms must offer such a plan to at least a portion of their workforce if they wish to remain competitive in the labor market. It is not surprising, then, that previous studies have not found a relationship between the presence of a retirement plan and POS. The provision of a retirement plan in general is likely seen by most employees as something that the organization must do to remain competitive in the labor market, not something it does because it cares about them. However, a more nuanced investigation of the type of retirement plan offered by an employer has the potential to shed more light on retirement benefits' relationship with POS, because different types of plans and differences in plan features may provide very different messages regarding how much an organization values an employee and cares about that employee's well-being. In turn, these different messages may have an effect on such important outcomes as employee performance and commitment.

Employees are generally apprehensive about the prospect of being able to afford their retirements (Dulebohn et al., 2009), when income earned from working is replaced by income earned from interest on retirement savings or the drawing down of those savings' principal. This apprehension is addressed in different ways by the two main types of retirement plans: defined benefit plans make employees a promise that they will continue to receive a certain amount of income in retirement regardless of their own accumulation of savings, thus at least partially alleviating employee fears of having a lack of funds available to support themselves in retirement.

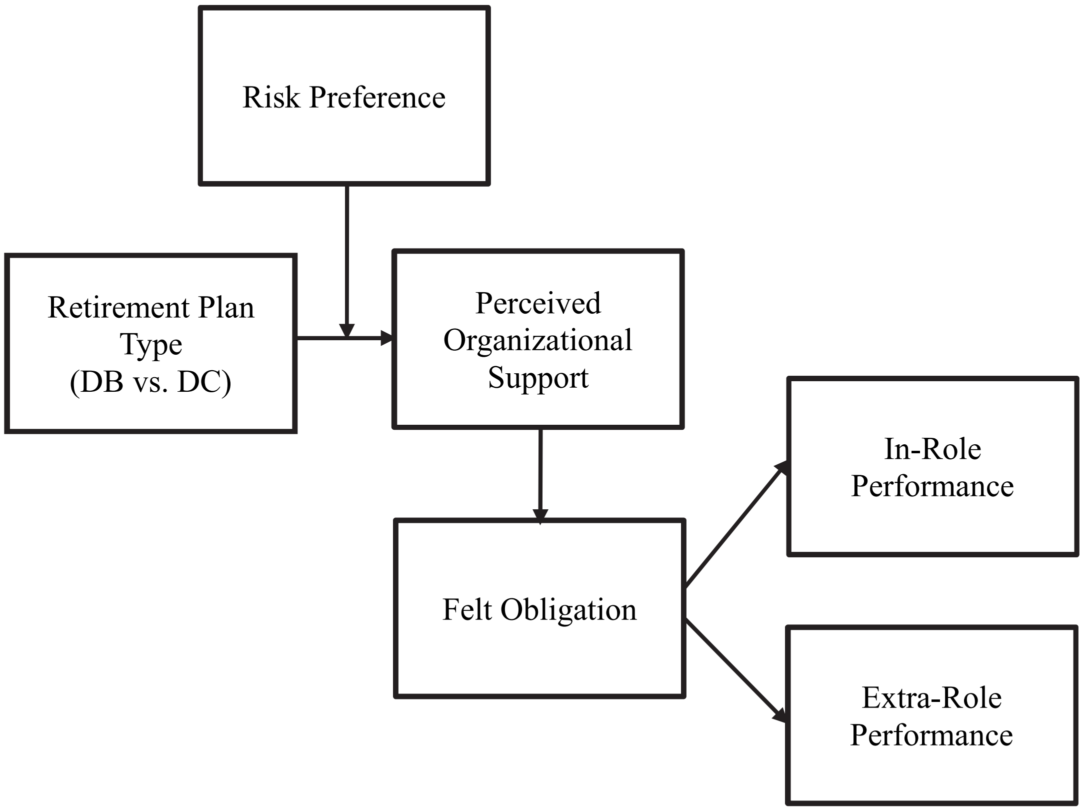
In contrast, defined contribution plans aim to increase an employee's accumulation of principal, which can then be relied on to provide post-retirement income. In either type of plan there is a risk that the income from investment of the principal may not prove adequate to support retirees post-retirement. However, there is a major difference in the two types of plans, which is the shifting of the risk of investment from the employing organization (which bears the risk in a DB plan) to the employee (who bears the risk in a DC plan). For the purposes of this model, hybrid plans are expected to have similar effects to DB plans because at least some risk of investment is typically borne by the organization in a hybrid plan and hybrid plans typically provide at least some level of guaranteed benefit upon retirement (EBRI, 1996).

The assumption of risk in a retirement plan by an employer is likely to send a strong signal to the employee about the value that the organization places on that employee's well-being. Defined benefit plans are less risky for an employee because they provide a guaranteed benefit upon retirement, and the investment risk associated with such a plan is borne by the organization (Dulebohn et al., 2000). Retirees face many risks, such as outliving retirement savings and increased healthcare costs, and thus planning for retirement can lead to high amounts of stress and fear for an employee trying to ensure that any accumulation of retirement savings will be sufficient (Dulebohn et al., 2009). Replacing assets at risk with a guaranteed benefit should serve as an indication to an employee that the organization both values his or her contribution and cares about his or her well-being, because it should remove some measure of stress regarding sufficiency of retirement income.

Furthermore, employees participating in a DB plan do not have to make decisions among investment alternatives, as is common in DC plans. Research has shown that as DC plans proliferate, and as these plans increase the number of investment options available to employees (e.g., company stock, index funds, managed funds, foreign stock funds, bonds, etc.), employees may become overwhelmed and respond dysfunctionally by either not participating in these plans (Sethi-Iyengar et al., 2004) or keeping all investments out of equity investment options (Munnell & Sunden, 2006). Thus, the fact that employees do not have to manage assets in a DB plan removes an additional stressor from an employee's life.

FIGURE 1

CONCEPTUAL MODEL OF THE EFFECT OF RETIREMENT PLAN OFFERINGS ON POS AND EMPLOYEE OUTCOMES



Similarly, Westerman and Sundali (2005) argued that, from a psychological contract perspective, the increasing prevalence of DC plans would foster more transactional relationships between employees and employers, based more on economic exchange than long-term relationships. Defined benefit plans, they contend, create a more lasting bond between organization and employee because of the trust and long-term view that is required from an employee who is deferring his or her retirement compensation far into the future. While this model provides very important insight into the process that may unfold when a firm shifts existing employees from DB to DC plans, the psychological contract model focuses primarily an organization's failure to keep promises perceived to exist under an implied contract (Aselage & Eisenberger, 2003) by switching from DB to DC plans; it does not account for those employees who enter a firm and experience no change in their retirement plan. For example, there is no psychological contract breach for those employees who are hired into a firm that offers only a DC plan and bear no expectation of being offered a DB plan.

The theoretical model addresses this shortcoming by recognizing that different types of retirement benefit plans can signal different levels of organizational support to an employee, even when those benefit plans do not change. The mere existence of one type of plan or the other should indicate to employees a specific level of organizational support which may then cause them to feel obligated to reciprocate positive treatment from the organization regardless of the perceived relational or transactional structure of the employment relationship.

Figure 1 presents the proposed conceptual research model. In general, existing stressors that employees believe are under the control of the organization serve to influence POS (Eisenberger & Stinglhamber, 2011). Because organizations choose the type and structure of their retirement plan offerings, it is reasonable to assume that employees view such a plan, and any resulting stress or burden, as being under the control of the organization. Thus, as a result of an employee having fewer assets at risk and being free of the burden of making investment decisions, employees whose organizations offer DB plans should, in general, feel less risk-related stress and fear than those employees whose organizations offer DC plans. An employer's assumption of investment risk and asset allocation, which alleviates employee stress and fear, should in turn lead employees to experience greater levels of POS. The provision of a benefit that emphasizes relational employment by going beyond providing for basic work-related needs should indicate to employees that the organization cares about them and values their well-being. Thus, I offer the following proposition:

> *Proposition 1: Employees whose organizations offer defined benefit retirement plans will report higher levels of perceived organizational support than employees whose organizations offer only defined contribution plans.*

While employees should, in general, feel more supported by organizations that offer DB plans, it is important to note that a range of individual-level employee factors have been shown to affect an employee's preference regarding retirement plan type and features (Dulebohn et al., 2000). Dulebohn and co-authors (2000) sampled employees in a major state-sponsored retirement system in order to determine what demographic factors might influence their choices from amongst a DB plan, a DC plan, and a hybrid offering similar to a DB plan which offered a cash payout prior to retirement, but at the cost of not providing an automatic survivor benefit to spouses after retirement. Of the employees surveyed, 41% chose the DB plan, 44% chose the hybrid plan, and 16% chose the DC plan, indicating a preference on the part of employees for the organization to shoulder at least some of the risk of investment of retirement funds.

Of importance to the current research, while a majority of employees preferred the DB plan to the DC plan, Dulebohn et al. (2000) found that risk preference level was positively related to a preference for DC plans. It may be that employees with higher risk preferences would feel more supported by an organization that provides them with the necessary tools to allow them to take care of their retirement savings themselves.

In fact, the argument has been advanced that DC plans may increase the motivation of employees due to the increased salience of monthly contributions to a specific, individual retirement account. Basing their arguments on expectancy theory (Vroom, 1964), Westerman and Sundali (2005) argued that employees might perceive greater instrumentality when they are covered by DC plans because there is a much shorter time interval between performance on the job and realization of the reward (the contribution by the organization to the employee's retirement account). In the case of a DB plan, benefits are often something that exist far in the future, thus significantly diminishing the "line of sight", or instrumentality, that exists for employees between performance and reward (Westerman & Sundali, 2005).

Therefore, the level of perceived individual support from an organization's choice of retirement plan offerings should be influenced by that employee's risk preference. For instance, individuals with a low tolerance for risk should not place as great a value on regular contributions and easily confirmable retirement account balances as individuals with a higher tolerance for risk, but should instead place greater value on the shifting of investment risk to the organization. Conversely, individuals with a higher tolerance for risk may view DC plans as more valuable because of their tangibility and the sense of ownership over retirement funds that they confer (Westerman & Sundali, 2005). This leads to the following propositions:

> *Proposition 2a: The relationship between an employer offering of a defined benefit plan and employee perceived organizational support will be moderated by employee risk preference, such*

that as employee risk preference increases, the relationship between the existence of a defined benefit plan and POS will decrease.

Proposition 2b: The relationship between an employer offering of a defined contribution plan and employee perceived organizational support will be moderated by employee risk preference, such that as employee risk preference increases, the relationship between the existence of a defined contribution plan and POS will increase.

Perceived Organizational Support and Felt Obligation as Mediators in the Benefit-Performance Relationship

Perceived organizational support activates the norm of reciprocity (Gouldner, 1960), wherein people feel obligated to help those who have helped them (Eisenberger et al., 1986). This feeling of obligation underlies POS as it represents one of the psychological pathways that leads employees who feel the organization cares about them and values their contribution to respond with positive attitudes and behavior (Eisenberger & Stinglhamber, 2011). In the case of an organization-employee relationship, when an organization provides valuable resources (such as a DB plan) over the course of years of employment, employees feel supported by the organization. Based on these feelings of support, the employees then feel obligated to reciprocate toward the organization by providing it with resources that the organization values such as increased in-role and extra-role performance (Aselage & Eisenberger, 2003; Coyle-Shapiro & Kessler, 2002).

Given the nature of transactional employment relationships, employees who are provided DC plans may be less likely to perceive reciprocally felt obligations than employees who are provided with a DB plan, which would in turn lead to decreases in those employees' performance. Reduced perceived organizational support and corresponding decreases in felt obligation may lead employees to experience decreased job satisfaction, lower levels of in-role and extra role-performance (Eder & Eisenberger, 2008; Rhoades, Eisenberger, & Armeli, 2001; Shoss, Eisenberger, Restubog, & Zagenczyk, 2013).

A major focus of human resources research, and a main concern of practitioners, is how to increase the performance of employees (Becker & Gerhart, 1996). Firms quite obviously want to ensure the maximum possible levels of performance from employees, and human resource scholars seek to provide information about ways to achieve those maximum possible levels of performance. Unfortunately, job-relevant behavioral outcomes have not received sufficient attention among benefits scholars. In fact, an excellent recent review of the benefits literature provided an indication of the lack of such research, when it made no mention of the behavioral consequences that may occur as a result of retirement plan offerings, but instead focused on the determinants of risk behavior, managing investments, and selection among DB and DC plans for those employees with a choice (Dulebohn et al., 2009). Furthermore, a major current focus of many employer-sponsored retirement plans is "de-risking", or reducing the risk exposure and volatility of their plans and reducing overall liabilities through techniques such as one-time lump-sum payouts (Aon Hewitt, 2014). There is a need for retirement research to expand beyond risk, allocation, and cost to employers and to incorporate more employee-level behavioral outcomes.

Perceived organizational support is a well-established construct that has been shown to have a strong impact on a range of individual-level outcomes, including in-role (tasks required of the job) and extra-role (tasks not required of the job, but which are beneficial to the organization) performance (Armeli et al., 1998; Shore & Wayne, 1993; Shoss et al., 2013). Retirement benefit offerings, by virtue of their implicit goal of improving employee well-being in retirement, should influence levels of employee POS, which should in turn lead to increases in employee felt obligation toward the organization (Eisenberger et al., 2001). These feelings of obligation to reciprocate positive treatment to the organization should manifest in positive effects on the in-role and extra-role performance of those employees (Eisenberger et al., 2001). However, these mediated relationships should be further moderated, as previously discussed, by employee-specific retirement plan preferences such as risk preference. Thus, I offer the following propositions.

Proposition 3: For employees with a low risk preference, there is a positive relationship between the existence of a defined benefit plan and employees' felt obligation, and this relationship is mediated by perceived organizational support.

Proposition 4: For employees with high risk preference, there is a positive relationship between the existence of a defined contribution plan and employees' felt obligation, and this relationship is mediated by perceived organizational support.

Proposition 5: Employee felt obligation will be positively related to employee a) in-role and b) extra-role performance.

Boundary Conditions

While the preceding propositions highlight important pathways for future empirical study into the individual-level outcomes of organizational retirement offering decisions, there are several boundary conditions that must be considered. The model assumes that employees are not given a choice between DB and DC plans by their employer, and that organizations only offer employees one type of retirement plan. Existing research has shown that demographic factors such as age, tenure, and salary, as well as plan features such as investment choices and benefit calculations, can have an effect on employees' choices between DB and DC plans when both are offered (Clark, Harper, & Pitts, 1997; Dulebohn et al., 2000). In such a situation, it would be expected that POS would have an overall positive relationship with retirement benefits, because employees should feel supported by organizations that allow them to choose the type of retirement benefit plan that best suits their needs and preferences.

Furthermore, employees must know about their retirement plan in order for that plan to have an effect on their levels of POS. Recently, retirement scholars have highlighted the value of automatic enrollment of employees in retirement plans (Munnell & Sunden, 2006). Automatic enrollment requires workers to opt-out of enrollment in retirement plans rather than the traditional method of opting-in. By automatically enrolling new hires in an organization's retirement plan, workers are not subject to the consequences of the tendency to not enroll in retirement plans, a tendency which comes about due to factors such as age, unwillingness to divert a percentage of salary, or lack of knowledge of or comfort with financial matters (Dulebohn et al., 2009). However, when employees are automatically enrolled, there may be less motivation for them to learn about or think about their retirement plan, thus making such a benefit less salient and therefore less likely to have an effect on POS. Employees must have information about the retirement benefit plan offered by their organization in order for such a plan to have any effect on POS.

CONCLUSION

Because the management of assets in a DC plans can be somewhat complicated, the majority of employees do not have enough financial literacy to appropriately manage their DC plans (Lusardi & Mitchell, 2007). By contrast, DB plans typically provide employees a more stable replacement of income than DC plans (Bodie, Marcus, & Merton, 1998). Additionally, DB plans make it possible to better plan for retirement, leading to less concern about future income and thus to higher well-being (Sundali et al., 2008). However, we still know little about how retirement benefits affect employees at work. Sundali and colleagues (2008) emphasized the need for greater consideration of retirement benefits' effects on the attitudinal and behavioral outcomes of employees to supplement existing research that has focused mainly on cost. Because retirement benefits can be one of major sources of employee perceptions of psychological breach (Phuong, 2012; Turnley & Feldman, 1999), we need to better understand the psychological processes that underlie retirement benefits' effects on employees. According to Beardwell and Claydon (2007), effective reward practices, including retirement benefits, can foster high quality relationships between employees and their workplaces. I have therefore developed the present model as a means to incorporate POS into retirement benefit research, because high quality relationships are a crucial aspect of POS.

Given the dilemma that organizations face between providing valuable benefits and striving to keep down costs, they face a difficult balancing act with respect to decisions regarding what types and levels of retirement benefits are offered to employees. No study can feasibly take all of the factors that influence such a situation into account. This paper represents an attempt to further expand conceptual research on the effects of using DC versus DB plans on employees and organizations (e.g., Westerman & Sundali, 2005). Dreher and colleagues (1988) argued that "compensation managers are ultimately interested in the affective and behavioral consequences associated with changes in benefit systems components" (p. 251), and the model is an attempt to address some of the existing concerns regarding a lack of knowledge about employee benefit programs, and specifically employee retirement benefits.

By elaborating the psychological processes that may underlie employee feelings toward DB and DC plans, this paper attempts to fill that gap, and extends our understanding of the way human resource decisions, such as decisions regarding the type of retirement plan that is offered, may affect employee, and by extension organizational, performance and behavior.

While my model does not look specifically at reactions to a change from DB to DC plan specifically, some previous research has considered the effects of such a shift. Lucero and Allen (1994) argued that many organizations violate implicit contracts by shrinking coverage or transferring costs to employees, believing that "it is quite possible that adverse reactions associated with the reduction of current benefits are greater than alternative approaches to cost control" (p. 426). Furthermore, the transition from DB to DC has usually been made unilaterally, which leads to a low level of commitment toward the organization and increased levels of uncertainty in the workplace (Milgrom & Roberts, 1992). Luchak and Pohler (2010) found that the effect of pension incentives on marginal quit costs, stayer perceptions, and saver effects can be positive or negative, and depend on whether employees perceive a retirement plan as a control device (transactional employment relationship) or a supportive device (relational employment relationship). These studies illustrate that retirement benefit offerings can have important psychological and behavioral outcomes for employees and organizations.

The fact that defined-benefit plans are becoming rarer and rarer may signal that firms have already decided that administration costs and contribution requirements are the dominant factor in determining the type of retirement plan adopted. However, the current model seeks to emphasize the fact that the form and function of a retirement plan may have effects on a firm and its employees beyond simple bottom-line calculations, and that these effects must be taken into account in a decision regarding benefit plan adoption. More attention should be paid to the shift from DC to DB in a strategic human resources management context. Westerman and Sundali (2005) suggested that, given that the cognitive processes regarding proper retirement savings are complex, and as the effect of pensions on employees' life after retirement is significant, it is important for employers to take some responsibility for solving the difficult question of how to provide for employees after they retire, rather than simply shifting more and more risk onto the employees themselves.

For future research, it is valuable to examine long term future benefits which elaborate more variances between DC and DB compared to immediate or short-term benefits, such as incentives and promotion. It is possible that the organizational choice between DC/DB is more likely to influences employees' view on their long-term relationship with the organization than other organizational characteristics. It is also possible that employees often do not think about their pension at all because of the temporal distance of its effect.

Another possible future study is about a "comparison event" that may temporally actualize the effect of DC/DB on employees' attitudes. Employees may not be thinking about their pension all the time, but when there is an event of hearing/learning about the other pension that they do not have, they may feel obligation about their own pension. It is event-based, so does not constantly influence employees' attitudes. However it has a temporal effect in certain situations, which can be conceptualized as another moderating effect.

I hope that the propositions provided will help to guide future empirical research that may provide scholars and practitioners alike a more concrete understanding of the role that organizational retirement benefit offerings might play in employee perceptions of the employee-organization relationship.

Empirical research can also be extended beyond the specific propositions offered here to include investigation of the ways in which individual-level demographic, attitudinal, perceptual, and behavioral factors might influence an employee's perception of retirement offerings and feelings of organizational support.

In the end, financial instability and uncertainty lead to low levels of well-being (Fujita & Diener, 2005). Thus, even though firms have a need to keep the direct financial costs of benefits low, there are other costs, such as employee morale, performance, and withdrawal, associated with benefit decisions that must be taken into account in order to arrive at the optimal decision regarding appropriate retirement offerings; my model is an attempt to lay the groundwork for future research into these other costs and to emphasize their importance for human resources scholars and professionals.

REFERENCES

Adams-Price, C. E., Turner, J. J., & Warren, S. T. (2013). Comparing the future concerns of early wave baby boomers with the concerns of young-old adults. *Journal of Applied Gerontology,* 0733464813493135.

Allen, D., Shore, L. & Griffeth, R. (2003). The role of perceived organizational support and supportive human resource practices in the turnover process. *Journal of Management*, *29,* 99-118.

Allen, S. G., Clark, R. L., & McDermed, A. A. (1993). Pensions, bonding, and lifetime jobs. *Journal of Human Resources, 28,* 463-481.

Aon Hewitt. (2014). *Hot Topics in Retirement: Building a Strategic Focus*. http://www.aon.com/human-capital-consulting/thought-leadership/retirement/survey_2014_hot-topics-retirement.jsp

Armeli, S., Eisenberger, R., Fasolo, P., & Lynch, P. (1998). Perceived organizational support and police performance: The moderating influence of socioemotional needs. *Journal of Applied Psychology*, *83,* 288-297.

Aselage, J., & Eisenberger, R. (2003). Perceived organizational support and psychological contracts: A theoretical integration. *Journal of Organizational Behavior, 24,* 491-509.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17,* 99-120.

Beardwell, J., & Claydon, T. (2007). *Human Resource Management. A Contemporary Approach.* (5th ed.). Harlow: Prentice Hall.

Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal, 39,* 779-801.

Benartzi, S., & Thaler, R. (1999). Risk aversion or myopia? Choices in repeated gambles and retirement investments. *Management Science*, *45,* 364-381.

Benartzi, S., & Thaler, R. (2001). Naïve diversification strategies in retirement savings plans. *American Economic Review*, *91,* 79-98.

Benartzi, S., & Thaler, R. (2002). How much is investor autonomy worth? *Journal of Finance*, *57,* 1593-1616.

Blau, G., Merriman, K., Tatum, D. S., & Rudmann, S. V. (2001). Antecedents and consequences of basic career enrichment benefit satisfaction. *Journal of Organizational Behavior*, *22,* 669-688.

Bodie, Z., Marcus, A. J., & Merton, R. C. (1988). Pensions in the U.S. Economy. In Bodie, Z., Shoven, J. B., & Wise, D. A. (Eds.), *Defined benefit versus defined contribution pension plans: What are the real trade-offs?* (pp. 139-162), University of Chicago Press.

Casper, W. J., & Buffardi, L. C. (2004). Work-life benefits and job pursuit intentions: The role of anticipated organizational support. *Journal of Vocational Behavior, 65,* 391-410.

Clark, R., Harper, L., & Pitts, M. (1997). *Faculty pension choices in a public institution: Defined benefit and defined contribution plans*. TIAA-CREF Research Dialogues, vol. 50.

Conlin, M., & Berner, R. (2002). A little less in the envelope this week. *Business Week,* 3770: 64-66.

Coyle-Shapiro, J. A-M., & Kessler, I. (2002). Exploring reciprocity through the lens of the psychological contract: Employee and employer perspectives. *European Journal of Work and Organizational Psychology, 11,* 69-86.

Curran, J. (2009). The search for the next perk. *Time*, *173,* 42-44.

Dekker, I., & Barling, J. (1995). Workforce size and work-related role stress. *Work and Stress*, *9,* 45-54.

Dreher, G., Ash, R., & Bretz, R. (1988). Benefit coverage and employee costs: Critical factors in explaining compensation satisfaction. *Personnel Psychology, 41,* 237-254.

Dulebohn, J. H. (2002). An investigation of the determinants of investment risk behavior in defined contribution pension plans. *Journal of Management*, *42,* 1-25.

Dulebohn, J. H., Molloy, J. C., Pichler, S. M., & Murray, B. (2009). Employee benefits: Literature review and emerging issues. *Human Resource Management Review*, *19,* 86-103.

Dulebohn, J. H., Murray, B., & Sun, M. (2000). Selection among employer-sponsored pension plans: The role of individual differences. *Personnel Psychology*, *53,* 405-432.

Eby, L. T., Casper, W. J., Lockwood, A., Bourdeaux, C., & Brinley, A. (2005). A twenty-year retrospective on work and family research in IO/OB: A review of the literature. *Journal of Vocational Behavior, 66,* 124-197.

Eder, P., & Eisenberger, R. (2008). Perceived organizational support: Reducing the negative influence of coworker withdrawal behavior. *Journal of Management, 34,* 55-68

Eisenberger, R., & Stinglhamber, F. (2011). *Perceived organizational support: Fostering enthusiastic and productive employees*. Washington, DC: American Psychological Association Books.

Eisenberger, R., Armeli, S., Rexwinkel, B., Lynch, P. D., & Rhoades, L. (2001). Reciprocation of perceived organizational support. *Journal of Applied Psychology*, *86,* 42-51.

Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology*, *71,* 500-507.

Employee Benefit Research Institute (EBRI). (1996). *Hybrid retirement plans: The retirement income system continues to evolve.* EBRI Special Report SR3-32/Issue Brief Number 171. http://www.ebri.org/pdf/briefspdf/0396ib.pdf Accessed 12/04/2014.

Friedberg, L., & Turner, S. (2011). Pensions and public school teacher retirement: An analysis using national teacher data. *TIAA-CREF Institute Research Dialogue, 99,* 1-22.

Friedberg, L., & Webb, A. (2005). Retirement and the evolution of pension structure. *Journal of Human Resources, 40,* 281-308.

Fujita, F., & Diener, E. (2005). Life satisfaction set point: Stability and change. *Journal of Personality and Social Psychology, 88,* 158-164.

Gough, O., & Arkani, S. (2011). The impact of the shifting pensions landscape on the psychological contract. *Personal Review, 40,* 173-184.

Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. *American Sociological Review*, *25,* 161-178.

Gustman, A. L., & Steinmeier, T. L. (1989). An analysis of pension benefit formulas, pension wealth, and incentives from pensions. In Ronald Ehrenberg, ed., *Research in Labor Economics,* Vol. 10. Greenwich, Conn.: JAI Press, pp. 33-106.

Helman, R, Copeland, C., & VanDerhei, J. (2009). The 2009 retirement confidence survey: Economy drives confidence of record lows: many looking to work longer. *EBRI Issue Brief,* no. 328.

Hewitt Associates (2002). *Archival records and benefit communications.* IL: Lincolnshire.

Hofmann, D. A., & Morgeson, F. P. (1999). Safety-related behavior as a social exchange: The role of perceived organizational support and leader-member exchange. *Journal of Applied Psychology*, *84,* 286-296.

Hsu, C. (2013). *Women's Retirement Income Satisfaction and Saving Behaviors*. Ph.D. dissertation, Virginia Polytechnic Institute and State University.

Kacmar, K. M., Andrews, M. C., Van Rooy, D. L., Steilberg, R. C., & Cerrone, S. (2006). Sure everyone can be replaced…but at what cost? Turnover as a predictor of unit-level performance. *Academy of Management Journal*, *49,* 133-144.

Kalamas, J. Kuo, G., & Ungerman, D. (2005). Designing better employee benefits, *The McKinsey Quarterly,* June.
Kim, S., & Feldman, D. (2000). Working in retirement: The antecedents of bridge employment and its consequences for quality of life in retirement. *Academy of Management Journal*, *43,* 1195-1210.
Kottke, J. L., & Sharafinski, C. E. (1988). Measuring perceived supervisory and organizational support. *Educational and Psychological Measurement*, *48,* 1075-1079.
Lambert, S. (2000). Added benefits: The link between work-life benefits and organizational citizenship behavior. *Academy of Management Journal*, *43,* 801-815.
Lane, M. (1993). *The effect of employee benefit satisfaction on organizational consequences.* In J. Burton (Ed.), Proceedings of the 1992 Meeting of the Industrial Relation Research Association, 99-104. Madison, WI: Industrial Relations Research Association.
Lineberry, J., & Trumble, S. (2000). The role of employee benefits in enhancing employee commitment. *Compensation and Benefits Management*, *16,* 9-14.
Lucero, M. A., & Allen, R. E. (1994). Employee benefits: A growing source of psychological contract violations. *Human Resource Management, 33,* 425-446.
Luchak, A. A., & Pohler, D. M. (2012). Pensions as psychological contracts: Implications for work outcomes. *Industrial Relations, 49,* 61-82.
Lusardi, A., & Mitchell, O. S. (2007). *Financial literacy and planning: Implications for retirement wellbeing.* Working Paper, Pension Research Council, Wharton School, University of Pennsylvania.
McFarland, B. (2014). *Retirement in transition for the Fortune 500: 1998 to 2013.* Towers Watson Insider. http://www.towerswatson.com/en-US/Insights/Newsletters/Americas /insider/2014/retirement-in-transition-for-the-fortune-500-1998-to-2013. Accessed March, 2015.
Milgrom, P., & Roberts, J. (1992). *Economics, organization, and management.* Englewood Cliffs, NJ: Prentice Hall.
Ministry of Labor in South Korea 2008. The present condition for Introduction of New Retirement Pension (http://www.molab.go.kr).
Munnell, A., & Sunden, A. (2006). *401(k) plans are still coming up short*. An issue in brief: Center for Retirement Research at Boston College, vol. 43.
Muse, L. A., & Wadsworth, L. L. (2012). An examination of traditional versus non-traditional benefits. *Journal of Managerial Psychology*, *27,* 112-131.
Muse, L. A., Harris, S., Giles, W. F., & Feild, H. S. (2008). Work-life benefits and positive organizational behavior: Is there a connection? *Journal of Organizational Behavior*, *29,* 171-192.
Philips, T., & Muralidhar, A. (2008). Saving social security: A better approach. *Financial Analysts Journal, 64,* 62-73.
Phuong, T. H. (2012). *Antecedents of psychological contract breach: Evidences form the context of Vietnam.* The Asian Conference on Psychology & the Behavioral Sciences.
Ployhart, R. E., Van Iddekinge, C. H., & MacKenzie, W. I. (2011). Acquiring and developing human capital in service contexts: The interconnectedness of human capital resources. *Academy of Management Journal*, *54,* 353-368.
Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*, *87,* 698-714.
Rhoades, L., & Eisenberger, R., & Armeli, S. (2001). Affective commitment to the organization: The contribution of perceived organizational support. *Journal of Applied Psychology, 86,* 825-836.
Rousseau, D. M. (1989). Psychological and implied contracts in organization. *Employee Responsibilities and Rights Journal, 2,* 121-139.
Rousseau, D. M. (1995). *Psychological contracts in organizations: Understanding written and unwritten agreements.* Thousand Oaks, CA: Sage.
Rousseau, D. M., & Greller, M. G. (1994). Human resource practices: Administrative contract makers. *Human Resource Management, 33,* 385-401.

Rousseau, D. M., & Ho, V. T. (2000). Psychological contract issues in compensation. In S. L. Rynes, & B. Gerhart (Eds.), *Compensation in organizations: Current research and practice* (pp. 273-310). San Francisco, CA: Jossey-Bass.

Sagie, A., Birati, A., & Tziner, A. (2002). Assessing the costs of behavioral and psychological withdrawal: A new model and an empirical illustration. *Applied Psychology: An International Review*, *51,* 67-89.

Salvador, R. (2012). *An analysis of future retirees' concerns regarding pension plans reforms and demographic factors that influence retirement investment decisions.* Ph.D. dissertation, Northcentral University.

Sethi-Iyengar, S., Huberman, G., & Jiang, W. (2004). How much choice is too much? Contributions to 401(k) retirement plans. In O. Mitchess & S. Utkus (Eds.), *Pension design and structure: New lessons from behavioral finance*. Oxford, UK: Oxford University Press.

Shore, L. M., & Shore, T. H. (1995). Perceived organizational support and organizational justice. In Cropanzano, R. and Kacmar, K. M. (Eds.), *Organizational Politics, Justice, and Support: Managing Social Climate at Work*. Westport, CT: Quorum Press.

Shore, L. M., & Wayne, S. J. (1993). Commitment and employee behavior: Comparison of affective commitment and continuance commitment with perceived organizational support. *Journal of Applied Psychology*, *78,* 774-780.

Shoss, M. K., Eisenberger, R., Restubog, S. L. D., & Zagenczyk, T. J. (2013). Blaming the organization for abusive supervision: The roles of perceived organizational support and supervisor's organizational embodiment. *Journal of Applied Psychology*, *98,* 158-168.

Sundali, J., Westerman, J. W., & Stedham, Y. (2008). The importance of stable income sources in retirement: An exploratory study. *Journal of Behavioral and Applied Management, 10,* 18-46.

Towers Watson (2014). Global benefit attitudes survey: Workers still uneasy about financial security and retirement.

Turnley, W. H., & Feldman, D. C. (1999). The impact of psychological contract violations on exit, voice, loyalty, and neglect. *Human Relations, 52,* 895-922.

US Chamber of Commerce (2007). *US Chamber Study: Employee Benefits Continue to Rise* (press release). US Chamber of Commerce, Washington, DC.

Useem, J. (2000). Welcome to the new company town. *Fortune, 62,* 62–70.

Vroom, V. H. (1964). *Work and motivation.* New York: Wiley.

Westerman, J. W., & Sundali, J. (2005). The transition of employee pensions in the United States: Though the looking glass of organizational behavior. *Journal of Organizational Behavior, 26.* 99-103.

Williams, J., & Malos, S., & Palmer, D. (2002). Benefit system and benefit level satisfaction: An expanded model of antecedents and consequences. *Journal of Management, 28,* 195-215.

Yoon, J., & Lim, J. C. (1999). Organizational support in the workplace: the case of Korean hospital employees. *Human Relations*, *52,* 923-945.

MAILING INFORMATION:

Name: Min-Kyu Joo
Address: 3333 Weslayan st. APT 1331, Houston, TX 77027
Phone: 832-941