Employee retention has been a major concern for organizations in this competitive job market because there are employment opportunities for talented professionals, the greater the demand for their services. In order to retain the best talents with the organization, strategies are aimed at satisfying employee’s needs. The problem remains how great the effect of each strategy on employee’s retention. The primary aim of this study is to assess the effect of psychological contract on employee retention in Ansell Lanka (Pvt) Ltd, Biyagama. Hence the objective of this research was to identify the effect of psychological contract on employee retention. The Independent Variable was psychological contract under the seven dimensions, namely stimulating job, work atmosphere, autonomy, salary, task description, intra organizational mobility, work life balance and job security and the Dependent Variable was employee retention. The reliability of the instruments was tested against the data. This study was engaged in hypothesis testing and it was co relational. Data was collected from each individual at Ansell Lanka, Biyagama. The analysis was based on the information collected using a self-administered questionnaire. Data used for analysis were totally based on primary data which was collected using a questionnaire developed by the researcher. According to the results, there is an impact of psychological contract on employee retention and there is a relationship between psychological contract and employee retention which is significant. The solution to retention problems at the Ansell Lanka, Biyagama is to put more emphasis on work atmosphere and autonomy because according to the findings these dimensions were more correlated with the employee retention than other dimensions.

Keywords: Retention, Psychological Contracts, Stimulating Job, Work Atmosphere, Autonomy, Work Life Balance, Intra organizational Mobility