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# The Impact Psychological Contract Violation on Job Satisfaction, OCB and Intent to Leave in a Continuing Care Retirement Community

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Research has found that violation of the psychological contract between employer and employee can lead to job dissatisfaction, lowered organizational citizenship behavior (OCB) and intent to leave. Because of the aging population, Continuing Care Retirement Communities (CCRC) will become primary employers in the 21<sup>st</sup> century and it is imperative that they maintain their workforce. The purpose of this study was to determine the impact of psychological contract violation on job satisfaction, OCB and intent to leave in a CCRC. An online survey instrument was e-mailed to employees. Findings indicated that contract violation did affect job satisfaction which impacted intent to leave; results for OCB were inconclusive.

# THE IMPACT OF THE PSYCHOLOGICAL CONTRACT ON JOB SATISFACTION, OCB, AND INTENT TO LEAVE IN A CONTINUINGCARE RETIREMENT COMMUNITY

## BACKGROUND

A continuing care retirement community (CCRC) is a continuum of housing options which covers health and social services for a price that is determined at the time an individual enters the facility (Krout, Oggins, & Holmes 2000). According to the Administration on Aging (2005), the number of individuals over 65 will increase from 12.4 percent of population in 2000 to 16.3 percent by 2020. At this time, 21 percent of health care employees are employed in a long-term care setting (AAHSA, 2007). This number is expected to increase as the population ages.

Currently finding and retaining skilled employees for CCRCs can be difficult and will become more so in the coming years. The turnover rate for health care professionals is between 40 and 70 percent, costing the industry \$4 billion each year (AAHSA, 2007). According to research, many avoid long-term care employment because of inadequate working conditions, lack of geriatric preparation, and insufficient time to do the job (Pfaff, 1987). Thus, attracting and retaining potential employees are equally important.

Previous studies have provided organizations with information about what employees value most and how they respond when these needs are not fulfilled. An employment contract can regulate the behaviors of the individuals in an organization, and assist in the achievement of organization goals (Robinson, Kraatz & Rousseau, 1994). The contract specifies what employees owe to their employer and the benefits that they will receive in return for their contributions. Rousseau (1995) defined the psychological contract as "an individual's beliefs,

shaped by the organization, regarding terms of an exchange agreement between individuals and the organization”, while Robinson (1996) defined it as “the employee’s perception of what they owe to their employers and what their employers owe to them”.

Unlike the formal contract, the interpretation of the terms of the psychological contract between employee-employer may not be shared by both parties as it is highly perceptual. These differences in perceptions may result in one party believing that the other has violated the terms of the contract. Furthermore, employees’ perceptions of the obligations established at the time of employment may change as the years of employment increases (Robinson, Kraatz & Rousseau, 1994; Robinson, 1996). Employees’ tend to attribute increasing perceived obligation from their employer while their own perceived obligation decreases (Robinson, Kraatz & Rousseau, 1994).

Contract violation can result in changed employee’s behavior, commitment, and obligation toward the organization (Robinson, Kraatz, & Rousseau, 1994; Kickul, 2001). Studies have found that employees who are more likely to be dissatisfied with their jobs will have increased intent to leave, while satisfied employees are more likely to engage in organizational citizenship behavior (OCB) (e.g., Robinson, Kraatz & Rousseau, 1994; Lester & Kickul, 2001). Additionally, studies have shown that perceived contract violation impact employees’ organization citizenship behavior (Robinson, Kraatz & Rousseau, 1994).

## **JUSTIFICATION**

Kabar and Barrett: The Impact Psychological Contract Violation

Previous studies on the psychological contract have focused on MBA students and alumni (e.g., Robinson, Kraatz & Rousseau, 1994; Robinson & Morrison, 1995; Lester & Kickul, 2001). Because there has been little research focusing on the psychological contract and OCB in CCRCs, the objectives of the study were 1) to determine which of the psychological contract obligations are identified as most important, 2) to analyze employees' perceptions of how well their employers are fulfilling these obligations, and 3) to examine how perceived discrepancies between importance of and fulfillment of specific psychological contract obligations affect employee satisfaction, organization citizenship, and intention to leave.

## **REVIEW OF LITERATURE**

### ***Psychological Contract***

There are several definitions of the psychological contract. Rousseau (1995) defined it as "an individual's beliefs, shaped by the organization regarding terms of an exchange agreement between individuals and the organization", while Robinson (1996) defined a psychological contract as "the employee's perception of what they owe to their employers and what their employers owe to them". Employees' psychological contracts specify contributions that they believe they owe to their employer and the inducements that they believe are owed in return (Robinson, Kraatz, & Rousseau, 1994)

Obligations established at the time of employment may change as the years of employment increases (Robinson, Kraatz & Rousseau, 1994); Robinson, 1996). Employees

entering a work environment, must understand the operation in order to form an accurate psychological contract.

### ***Psychological Contract Violation***

Psychological contract violation is defined as “a failure to comply with the terms of the contracts” (Osland, Turner, Colb, & Rubin, 2007). These violations are perceived by the employee based on what they expected at the time the promises were made by the employer (Osland, Turner, Colb, & Rubin, 2007). Contract violation can result in changed employee’s behavior, commitment, and obligation toward the organization (Robinson, Kraatz, & Rousseau, 1994; Kickul, 2001).

At this time, little research about the affect of the psychological contract on organizational citizenship behavior has been conducted with long-term care operations. As the structure of these organizations change along with a smaller pool of potential employees, there will be heightened focus to find the best employees with the right skills to fulfill the role within the organization. This makes it important to understand the psychological contract and its impact on the employee and employer relationship. Lester and Kickul (2007) did find that when an employees’ psychological contract was broken, the employees were more likely to be dissatisfied with their jobs and their intent to leave increased.

### ***Organizational Citizenship Behavior***

Organizational citizenship behavior (OCB) can be observed in many different organizations and can be impacted by psychological contracts. This type of behavior is

particularly important in work environments which require employees to go above and beyond their normal work duties. D.W. Organ stated that organizational citizenship refers to individual behavior, not recognized by the formal reward system that promotes the effective functioning of the organization (Bolon, 1997; Euwema, Wendt, & Van Emmerik, 2007). Leaders and managers within an organization must support their employees in order to encourage OCBs among employees and increase organizational success.

Several studies have shown that there is a positive relationship between employee satisfaction and OCB (Robinson & Morrison, 1995). They also found a relationship between the psychological contract and OCB because their study indicated that if the employer does not fulfill the psychological contract the employee is less likely to participate in OCB (Robinson & Morrison, 1995).

## **METHODOLOGY**

### ***Research Design***

Primary data was collected in this study using the survey method with questionnaire as the instrument of the study. The population of this study was employees at a CCRC in a mid-western university community. Prior to the design of the questionnaire, a focus group was conducted with 12 employees to determine the psychological contract items important to the organization. Of the thirty seven psychological contract items identified by Kickul (2001), and Lester and Kickul (2001), 31 items were found to be relevant and important to Meadowlark based in the focus group study. The 31 items were “sometimes”, usually”, or “always” (average score of 3 or higher) mentioned during the interviewing or new hiring process. The sample



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frame for this study was 250 nursing and other expertise field employees. A URL link for the questionnaire was sent through the employees' emails; additionally paper questionnaires were distributed to employees without email addresses.

### **Measures**

The questionnaire was designed into six parts, consisting of psychological contract items measuring both its importance and perceived fulfillment, job satisfaction (Kulas *et. al.*, 2007), intention to leave (Meyer *et. al.*, 1993 in Lester & Kickul, 2001), organizational citizenship behavior (Williams and Anderson, 1991 in Lester & Kickul, 2001), and demographic data. A pilot study was conducted to test the questionnaire prior to data collection. The questionnaire was then edited based on the employees' suggestions.

Part one of the questionnaire asked employees to rank the importance of 31 psychological items based on the five-point Likert-type scale. Part two measured employee's perceived fulfillment of the psychological contract items on a five-point Likert-type scale. Part three and four consisted of three questions measuring job satisfaction and intention to leave respectively. Part five of the questionnaire contained seven items measuring organizational citizenship behavior (OCB), and part six consisted of demographic data of respondents. The five-point Likert-type scale was used for all the questionnaire items except for the demographic data. The five-point Likert-type scale was used to measure importance with (1) very unimportant and (5) very important for part one of the questionnaire, fulfillment with (1) very unfulfilled and (5) very fulfilled for part two, agreement with (1) strongly disagree and (5)

strongly agree for part three and four, and likelihood with (1) very unlikely and (5) very likely for part five of the questionnaire.

## **RESULTS**

### ***Participants***

Of the 250 questionnaires sent out, 63 employees responded resulting in a 25.2% response rate. Of the total respondents, 17% were male and 82% were female. The respondents' age ranged between 18 to 63 years with work experiences ranging from 1 month to 20 years. Over half (58%) of respondents were between 21 to 40 years old. The majority (86%) had at least some college education, while the remaining 14% had either a high school diploma or some high school education.

### ***Psychological Contract Discrepancy***

Employees were asked to rate the importance on different aspects of the psychological contract items mentioned at the beginning of their career. Results of the initial analyses indicated that 29 of the 31 items mentioned during the interviewing process were rated on average as "important" to "very important". The level to which employees felt the CCRC had fulfilled its obligations in each of the psychological contract and results of the *t*-test analysis to determine whether significant mean differences exists between employees importance and perceived fulfillment ratings are also shown in Table 1.

**Table 1***International CHRIE Conference-Refereed Track, Event 2 [2010]***Psychological Contract Items Importance and Fulfillment Ratings**

No	Psychological Contract Item	Importance <sup>1</sup>	Fulfillment <sup>2</sup>	t
		Mean ± SD	Mean ± SD	
1	Trust and respect	4.55 ± 1.042	3.90 ± 1.011	3.62**
2	Enough resources to do the job	4.52 ± .996	3.73 ± 1.050	4.64**
3	Job security	4.52 ± .893	3.97 ± .915	4.45**
4	Meaningful work	4.50 ± 1.028	4.33 ± .898	1.23
5	Competitive salary	4.47 ± .893	3.56 ± 1.133	5.49**
6	Competent management	4.47 ± 1.027	3.98 ± .907	2.96**
7	Equal opportunity for all employees	4.46 ± 1.017	3.94 ± 1.134	2.99**
8	Adequate equipment to perform the job	4.44 ± 1.026	4.00 ± .898	3.12**
9	Open and honest communication	4.44 ± .944	3.60 ± 1.129	4.76**
10	Cooperation and support from co-workers	4.42 ± .960	3.83 ± 1.025	3.57**
11	Fair treatment	4.40 ± 1.084	3.87 ± 1.008	3.08**
12	Flexible work schedule	4.39 ± .973	4.25 ± .822	1.10
13	Job training	4.34 ± 1.015	3.94 ± .948	3.10**
14	Safe work environment	4.32 ± 1.133	4.19 ± .840	.875
15	Opportunity for personal growth	4.32 ± 1.012	4.05 ± .906	1.82
16	Opportunity to develop new skills	4.31 ± .977	4.00 ± .950	2.05*
17	Participation in decision making	4.27 ± 1.003	3.86 ± 1.014	2.56*
18	Consideration of employee's needs	4.27 ± 1.095	3.76 ± 1.043	2.72**
19	Pay and bonus tied to performance	4.24 ± 1.019	3.22 ± 1.276	5.29**
20	Constructive feedback on performance	4.24 ± 1.042	3.83 ± 1.000	2.62*
21	Continual professional training	4.23 ± .979	4.00 ± .823	1.79
22	Challenging and interesting work	4.18 ± .888	4.24 ± .875	-.09
23	Clear goals and direction	4.18 ± 1.008	3.63 ± .955	3.24**
24	Freedom to be creative	4.18 ± .942	3.87 ± .907	2.19**
25	Health care benefits	4.13 ± 1.100	3.89 ± .900	1.78
26	Vacation benefits	4.11 ± 1.049	3.75 ± .933	2.56*
27	Opportunity for promotion advancement	4.11 ± .900	3.65 ± .936	3.95**
28	A job that provides autonomy and control	4.10 ± .874	3.90 ± .946	1.28
29	Career guidance and mentoring	4.08 ± 1.005	3.67 ± .933	2.94**
30	Increasing responsibilities	3.74 ± 1.031	3.92 ± .829	-1.09
31	Tuition reimbursement	3.68 ± 1.188	3.46 ± 1.158	1.39

<sup>1</sup> Scale – 1 very unimportant to 5 very important<sup>2</sup> Scale – 1 very unfulfilled to 5 very fulfilled

\*\* Significant at the 0.01 level (2-tailed)

\* Significant at the 0.05 level (2-tailed)

## **Job Satisfaction, Intention to Leave, and Organizational Citizenship Behavior**

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The survey instrument also measured employee's satisfaction, intention to leave and organizational citizenship behavior. Table 2 provides the mean and standard deviation for overall job satisfaction, overall intention to leave and overall organizational citizenship behavior. Results indicated that employees had high job satisfaction and organizational citizenship behavior; additionally, employees had low overall intention to leave.

**Table 2**  
**Mean and Standard Deviation for Overall Job Satisfaction, Intention to Leave, and Organizational Citizenship Behavior**

No	Items	Mean <sup>1</sup>	SD
1	Overall Job satisfaction	3.99	.898
2	Overall Intention to Leave	2.25	1.12
3	Overall Organizational Citizenship Behavior	4.45	.617

<sup>1</sup>Scale 1 – Strongly Disagree to 5 – Strongly Agree

Correlation between psychological contract discrepancy with overall job satisfaction, overall intention to leave and overall organizational citizenship behavior were analyzed as shown in Table 3. Psychological contract discrepancy scores were calculated by subtracting fulfillment ratings from importance ratings for each psychological contract item. Then the means and standard deviations were calculated and used to measure the correlation.

Results in Table 3 indicated that generally psychological contract discrepancy affects employee's overall satisfaction, intent to leave and OCB differently. In this study, discrepancy in the psychological contract items such as open and honest communication, pay and bonus tied to performance, and clear goals and direction significantly ( $p < .01$ ) correlates with lower satisfaction and higher intention to leave. For OCB, a significant relationship ( $p < .05$ ) exists

between OCB and discrepancy in consideration of employee's needs, constructive feedback on performance, and continual professional training.

**Table 3**  
**Correlations between Psychological Contract Discrepancy Items and Employee Attitudes and Performance**

No	Psychological Contract Item	Overall Satisfaction	Intent to Leave	OCB
1	Trust and respect	-.285*	.247	.067
2	Enough resources to do the job	-.293*	.181	.123
3	Job security	-.247	.315*	.122
4	Meaningful work	-.196	.217	.041
5	Competitive salary	-.276*	.156	.173
6	Competent management	-.293*	.223	.231
7	Equal opportunity for all employees	-.411**	.235	.145
8	Adequate equipment to perform the job	-.177	.068	.134
9	Open and honest communication	-.431**	.362**	.084
10	Cooperation and support from co-workers	-.116	.168	.204
11	Fair treatment	-.363**	.269*	.101
12	Flexible work schedule	-.147	.102	.152
13	Job training	.022	.003	.240
14	Safe work environment	-.294*	.231	.115
15	Opportunity for personal growth	-.142	.112	.168
16	Opportunity to develop new skills	-.240	.240	.078
17	Participation in decision making	-.261*	.190	.219
18	Consideration of employee's needs	-.301*	.226	.265*
19	Pay and bonus tied to performance	-.330**	.322**	.193
20	Constructive feedback on performance	-.296*	.214	.265*
21	Continual professional training	-.155	.204	.290*
22	Challenging and interesting work	-.288*	.207	-.064
23	Clear goals and direction	-.358**	.334**	.080
24	Freedom to be creative	-.270*	.152	-.004
25	Health care benefits	-.229	.188	.130
26	Vacation benefits	-.136	.135	.217
27	Opportunity for promotion advancement	-.204	.137	.199
28	A job that provides autonomy and control	-.240	.186	.032
29	Career guidance and mentoring	-.203	.176	.143
30	Increasing responsibilities	-.125	.160	-.068
31	Tuition reimbursement	-.065	.080	.022

\*\* Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

## DISCUSSION

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Of the 31 psychological contract item, those most important to employees were trust and respect, resources to do the job, and job security. Of the 31 items found to be important to CCRC employees, 21 were found to be significantly different (importance vs. fulfillment ratings) indicating that there was psychological contract violation at this facility. However, the CCRC was providing employees with meaningful work, flexible work schedule, safe work environment, opportunity for personal growth, continual professional training, challenging and interesting work, health care benefits, increasing responsibilities and tuition reimbursement. Items that management may want to focus on in the future include the employees top rated items of trust and respect, resources to do the job and job security.

The results of satisfaction, OCB and intention to leave indicated that employees had high overall satisfaction, OCB and low intent to leave. The psychological contract discrepancy had a significant negative relationship with overall satisfaction and significant positive relationship with intent to leave. The result for OCB on the other hand was inconclusive. It was surprising to see that perceived psychological contract discrepancy was positively correlated with OCB although the relationship was not significant. This may be due to the nature of the job, or the culture of the organization that encourages employees to assist one another with their jobs. Additionally, satisfaction was found to be a significant predictor of overall intent to leave and OCB which may indicate that employees who perceived contract violation to have occurred may be dissatisfied with their job and have intent to leave.

## **CONCLUSIONS**

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Results indicate that psychological contract breach can affect job satisfaction. Employers and those in human resource management should be aware of the psychological contract and how its breach may impact employees. Identifying those items that are most important, but least fulfilled will improve overall job satisfaction. Also, during interviewing and new employee orientation, employers should be aware of what they explicitly or implicitly promise and emphasize the promises or obligations that they can fulfill which in this study included meaningful work, opportunity for personal growth, continual professional training, challenging and interesting work, flexible work schedule, and a safe work environment. Communicating with employees is key to ensuring that there is no psychological contract violation, employees have high job satisfaction and there is no intent to leave.

## **LIMITATIONS**

This study provides useful insights into the psychological contract items important to CCRC employees; however, it is not without limitations. All the variables in this study were self-reported which can result in common method bias. Additionally, both part time and full time CCRC employees were included in this study. Part time employees may not experience quite as many stressful conditions that comes with the job as full time employees and the two groups may not have the same reaction to contract violations. Future studies may compare the two groups to confirm if there are any differences.

Furthermore, this study included employees from all job positions from a wide spectrum such as administrative to highly skilled nursing positions. Different positions entails different

sets of obligations and promises; which means that a psychological contract item perceived important to one group may not be as important in another. This study also has a risk of non-response bias due to the small sample size.



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