

# The Impact of Psychological Contract Breach on Employee Performance: A Comparative Analysis of Generation Y and Generation Z in Relation to the Banking Sector in Sri Lanka

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## Abstract

The purpose of this study is to ascertain the impact of generational disparities on the relationship between “psychological contract breach” and “employee performance.” Data were gathered from 450 personnel working in the Sri Lankan banking sector. SEM analyses were used to assess structural models and the moderating effects of generation cohorts’ variations on the impact of psychological contract breaches on employee performance. Psychological contract breach was tested through three dimensions: Reneging, Disruption and Incongruence, while Employee performance was measured through three different perspectives: Task Performance, Contextual Performance and Counterproductive Work behaviours. Generational differences affected the association between psychological contract breach and work outcomes/performance. Furthermore, the findings revealed that different generational groups react differently to different facets of psychological contract infringement, like reneging (willingly refusing to fulfil tasks), disruption (unwilling or unable to fulfil tasks) and incongruence (contradictory interpretations of expectations). According to the results of this study, generation Y millennials, are more driven by job content and career advancement, but generation Z seems to be inspired by social environment and flexibility. Providing awards and remuneration are more significant to Generation Y, while fair organisational policies and a flexible working culture are especially motivating to Generation Z. This article is the first to study the moderation of generational differences on the relationship between psychological contract breach and employee work performance in relation to the banking sector in the Sri Lankan context.

**Keywords:** Psychological contract breach, Reneging, Disruption, Incongruence, Employee performance, Generational cohorts.

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