

Research Article

Unraveling the Impact of Psychological Contract Breach on Work Engagement and Life Satisfaction in Generation Z

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Abstract

This study examines the relationship between psychological contract breach, work engagement, and life satisfaction in Generation Z individuals working in various sectors in Jakarta. Using a quantitative approach, data were collected through questionnaires distributed to 158 respondents aged 21 to 27 years working in various sectors. The sampling technique employed was purposive sampling, while data analysis was conducted using Structural Equation Modeling (SEM) with Confirmatory Factor Analysis (CFA) and regression tests via Jamovi software. The study's results indicate that psychological contract breach has a negative and significant impact on life satisfaction. In contrast, life satisfaction has a positive and significant impact on work engagement. In addition, psychological contract breach also harms work engagement, both directly and indirectly, through its impact on life satisfaction. This study provides new insights into the complex dynamics between psychological contract breach and work engagement, especially in understanding the engagement of Generation Z employees.

Keywords: Psychological Contract Breach, Work Engagement, Life Satisfaction, Generation Z

JEL Classification: J24, M14, J28

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1. Introduction

Globally, Indonesia ranks as the fourth most populous country in the world. According to records from the Directorate General of Population and Civil Registration (Dukcapil), Indonesia's population reached 275,361,267 in June 2022. The productive age group, defined as individuals aged 15 to 64, constitutes 69.3% of the population. In this context, Halisa (2020) emphasizes that human resources are vital investments and essential assets for a company's sustainability. An organization can only operate and thrive effectively with the support of reliable and competent employees. Furthermore, Yang and Dini (2023) note that the modern workforce is undergoing a significant transformation, particularly among the current generation in the prime of their productive years.

Generation Z includes individuals aged 12 to 27 born between 1997 and 2012. According to data from the Central Statistics Agency, Generation Z was the second-largest population group in Jakarta in 2020. As a key demographic in the workforce, this generation plays a crucial role in the business and economic landscape. Atieq et al. (2020) emphasize that the entry of Generation Z into the workforce presents challenges for companies in retaining high-quality employees and fostering a sense of loyalty to their organizations. To address these challenges, it is essential to implement strategies that promote positive self-evaluation among Gen Z employees. However, in a dynamic and competitive work environment, a disconnect often arises between employee expectations and what companies can realistically offer. This mismatch can lead to a breach of the psychological contract. Furthermore, maintaining favorable psychological conditions among employees is vital for effective work performance, which ultimately supports the organization in achieving its goals.

One of the main objectives of any organization is to achieve success (Fakhnurozi & Pragiwani, 2020). A psychological contract breach occurs when a company fails to provide the resources agreed upon at the outset of the relationship (Aditya & Deviastri, 2024). Such breaches can have a negative impact on employee attitudes and behaviors, including a loss of interest in work and decreased engagement (Erdogan et al., 2012; Karatepe et al., 2020). Additionally, research by Koo et al. (2020) suggests that a psychological contract breach can also impact overall life satisfaction.

This study examines the relationship between psychological contract breach, work engagement, and life satisfaction among Generation Z for several reasons. Research by Rahadiyansyah et al. (2023) highlights the perspectives of Generation Z on the work environment, emphasizing their preference for adaptive and transparent human resource policies that prioritize universal values and empathy from superiors and coworkers. Additionally, this study is motivated by the ongoing debate regarding the factors that influence work engagement, particularly among Generation Z (Rahayu et al., 2024).

First, there is still contention about the relationship between psychological contract breach (PCB) and work engagement. Several studies, including those by Arunachalam (2021), Ishtiaq & Zeb (2020), Koomson et al. (2022), and Ramadhan & Parimita (2022), suggest that PCB acts as a stressor that diminishes employee work engagement. When employees perceive their psychological contract as being violated, they often experience uncertainty and feelings of injustice, which can lead to reduced involvement in the workplace. Conversely, other studies, such as those by Ampofo (2021) and He et al. (2023), propose that work engagement mediates the relationship between psychological contract breach and life satisfaction. Furthermore, Agarwal (2014) argues that the relationship between psychological contract breach and work engagement is not direct but rather indirect, mediated by factors such as trust and job insecurity. Therefore, this study aims to clarify the differing perspectives on the relationship between psychological contract breach and work engagement (Yudika & Zain, 2025).

Secondly, several studies, including those by Granziera & Perera (2019), Li et al. (2017), and Upadyaya et al. (2016), indicate that employees who perceive their lives as aligned with their desires tend to be more enthusiastic about their work and exhibit higher levels of work engagement. Conversely, research by Çayak (2022), Mérida-López & Extremera (2020), and Meynhardt et al. (2020) suggests that high work engagement can lead to increased life satisfaction. This conflicting evidence highlights the need to re-examine the relationship between life satisfaction and work engagement. In this study, life satisfaction is specifically positioned as a mediator between psychological contract breach and work engagement.

This study will explore the relationship between psychological contract breach, work engagement, and life satisfaction. Generation Z has been chosen as the focus of this research because this cohort is currently active in the workforce and displays distinct characteristics regarding values, expectations, and work preferences. Managing the Generation Z workforce poses a challenge for organizations. Research by Bertsch et al. (2022) highlights that Generation Z has high career expectations, actively seeks new challenges, desires opportunities for self-development, and looks for increased responsibilities. To meet these expectations, companies must establish clear career paths and offer continuous development opportunities for Generation Z employees.

This research has a clear gap due to the inconsistency of findings regarding the relationship between psychological contract breach (PCB) and work engagement. Most studies indicate that PCB directly decreases work performance, while others argue that the relationship is indirect or mediated by other factors. Furthermore, the direction of the relationship between work engagement and life satisfaction remains a topic of debate, with questions about whether life satisfaction drives engagement or vice versa. Furthermore, studies on Generation Z in the context of PCB are still limited, despite this generation having unique characteristics such as a need for transparency, career development, and empathetic leadership.

The novelty of this research lies in its focus on Generation Z in Indonesia, by placing life satisfaction as a mediating variable in the relationship between PCB and work engagement. This approach not only aims to clarify contradictory previous research findings but also provides an important contextual contribution considering the large proportion of Generation Z in the Indonesian workforce.

2. Literature Review and Hypothesis

This study is grounded in two theoretical frameworks: Conservation of Resources (COR) Theory and Job Demands-Resources (JD-R) Theory. According to Hobfoll et al. (2018), COR Theory elucidates the relationship between an individual's resources and their capacity to maintain and acquire additional resources. Individuals with abundant resources tend to exhibit greater resilience across various aspects of life. On the other hand, the JD-R Theory, introduced by Demerouti et al. (2001), serves as a conceptual framework that explains how job demands and the availability of resources in the workplace influence work outcomes. This model posits that high job demands can lead to fatigue, while sufficient job resources can enhance employee engagement (Bakker & Demerouti, 2014; Hobfoll, 2001; Hobfoll et al., 2018).

Psychological contract breach and life satisfaction

According to Arunachalam (2021) and, psychological contract breaches can occur due to various factors, including delays, discrepancies in the types or forms of rewards, perceived unfairness, or imbalances in the exchanges. These issues may manifest as delays in receiving rewards, mismatches between the rewards received and the work performed, or perceived unfair comparisons with the rewards of colleagues. As a result, employees may feel that their contributions require adequate recognition. Robinson and Morrison (2000) define a psychological contract breach as a situation in which employees believe the organization has failed to fulfill its agreed-upon commitments. They identify two key indicators for measuring this breach. The first is "denial," which occurs when an organization consciously chooses not to meet its obligations, often due to an inability to do so. The second indicator is "inconsistency," which refers to a disparity in perceptions between employees and the organization regarding the obligations that should be fulfilled. Hence, psychological contract breaches can occur due to various factors, such as delays, inconsistencies in rewards, perceived unfairness, or imbalances in exchanges. These issues may lead employees to feel that their contributions should be acknowledged in an appropriate manner. This breach is characterized by the perception that an organization has failed to uphold its commitments.

When employees perceive a breach of their psychological contract, they often feel a reduction in the resources available within the organization, which can adversely affect their well-being. According to the Conservation of Resources (COR) theory (Hobfoll, 2001), such feelings of violation lead to stress due to the loss of resources, triggering a stress response. Research indicates that when employees believe their workplace fails to deliver on promises related to work resources such as higher salaries, promotion opportunities, and training they are more likely to experience stress, negatively impacting their life satisfaction. Employees facing a breach of contract often struggle to acquire new resources to manage their stress, which can diminish their life satisfaction. Additionally, to avoid further resource depletion, these employees may need to withdraw from work activities that are taxing, which can also harm their overall life satisfaction. For instance, an employee expecting a salary increase might hesitate to take on extra responsibilities or work overtime. Previous studies (Ampofo, 2021; Kakarika et al., 2017) have demonstrated a negative

correlation between psychological contract breach and employee life satisfaction, a trend that is also expected to persist for Generation Z.

H1: Psychological contract breach is negatively and significantly related to life satisfaction.

Psychological contract breach and work engagement

New-generation employees tend to have elevated psychological expectations from their organizations, leading to more negative attitudes and retaliatory behaviors when they perceive that their organization has not fulfilled its contractual commitments (Shaffakat et al., 2022). A psychological contract breach occurs when there is a disconnect between what the organization promises and what it delivers to its employees. Such breaches can occur at various levels, including between supervisors and subordinates, across the organization, or in relation to specific job aspects. Key factors influencing work engagement include job and personal resources. A decline in personal resources due to a psychological contract breach can reduce work engagement. Work engagement encompasses an individual's mental perception of their tasks and the surrounding work environment, reflecting their level of attachment and commitment to their work and the organization (Costa et al., 2016).

Research by Saleem et al. (2021), and Sharma et al. (2022) suggests that fulfilling psychological contracts has a significant impact on employee well-being and turnover rates, particularly in the context of psychological contract breaches (PCB). Such breaches can diminish well-being, resulting in increased health issues, decreased morale, and reduced work engagement. Consequently, employees may feel less committed to their organization and more inclined to seek other job opportunities. For instance, an employee who expects a salary increase may hesitate to take on additional responsibilities, such as assisting coworkers or working overtime (Hobfoll, 2001). According to the Job Demand-Resource model proposed by Demerouti et al. (2001), employees who require more work resources are likely to disengage from their roles. Studies conducted by Ramadhan & Parimita (2022), and Shi & Gordon (2020) further demonstrate that psychological contract breaches have a significantly negative impact on work engagement.

H2: Psychological contract breach has a negative and significant relationship with work engagement.

Life satisfaction and employee engagement

Life satisfaction is vital to an individual's overall wellbeing and significantly impacts various aspects of life, including work engagement. It is a person's evaluative assessment of their life, incorporating feelings about their achievements, relationships, and emotional well-being. According to Erdogan et al. (2012), life satisfaction encompasses three interrelated dimensions. The first dimension is the desire to change one's life, reflecting an individual's aspirations to improve various aspects, such as career and personal relationships. The second dimension is satisfaction with current life, which addresses how content individuals are with their present circumstances, including their achievements and social connections. The third dimension involves assessing others, emphasizing how the perceptions of family, friends, and coworkers can shape an individual's life satisfaction.

Conversely, work engagement is characterized by an individual's commitment to their work, which is reflected in positive involvement across physical, psychological, and cognitive dimensions. It can be measured through enthusiasm, dedication, and concentration. Identify three main dimensions of work engagement: vigor, which reflects the internal drive and energy employees feel when performing tasks; dedication, involving a high level of involvement marked by enthusiasm and a strong attachment to both the work and the organization; and absorption, describing the deep concentration employees experience, often losing track of time due to their enjoyment and emotional connection to their tasks.

Research indicates a significant relationship between life satisfaction and work engagement. Ferreira et al. (2020) argue that individuals who are generally satisfied with their lives display higher levels of work engagement. High life satisfaction fosters a positive mood, strong motivation, and sustained energy, all of which contribute to active involvement in work. Furthermore, Eldor et al. (2020) suggest that life satisfaction may serve as a precursor to work engagement, as individuals who feel happy and fulfilled are more likely to view their work as integral to their overall

happiness, thereby increasing their motivation and commitment. Previous studies, including those by Ferreira et al. (2020), have consistently demonstrated a positive correlation between life satisfaction and work engagement, indicating that higher life satisfaction significantly enhances work engagement levels.

H3: Life satisfaction is positively and significantly related to work engagement.

The mediating role of life satisfaction

Psychological contract breach refers to employees' perceptions that their employer has failed to fulfill promised obligations. This breach can have a significant impact on employee outcomes, particularly in terms of work engagement and life satisfaction. Life satisfaction reflects the cognitive aspect of subjective well-being and can be understood from two different perspectives. The 'bottom-up' perspective suggests that various interrelated life domains, such as work and family, influence life satisfaction. In contrast, the 'top-down' perspective posits that stable characteristics, including personality traits such as neuroticism and extraversion, influence life satisfaction (Ampofo et al., 2018). Research suggests that employee engagement can impact perceptions of overall life satisfaction. Highlight a close relationship between life satisfaction and work engagement, with both factors being mutually influential. Life satisfaction is a global assessment of one's quality of life based on personal criteria.

Ampofo's study (2021) reveals that employees who perceive a breach in their psychological contract specifically those who feel their workplace has not provided promised resources often demonstrate low work engagement. This decline in work engagement can subsequently lead to a decrease in life satisfaction. According to the Conservation of Resources (COR) theory, employees who experience depletion of work resources due to breaches of the psychological contract are more likely to experience stress, which negatively impacts their life satisfaction (Hobfoll, 2001). These results are consistent with research conducted by Ramadhan & Parimita (2022), and Shi & Gordon (2020), which collectively demonstrate that psychological contract breach hurts work engagement. Moreover, work engagement has been positively linked to life satisfaction.

H4. Psychological contract breach has an indirect relationship to work engagement through life satisfaction

Research Conceptual Framework

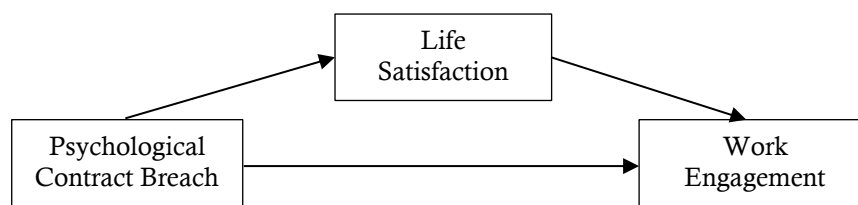


Figure 1. Research model

3. Data and Method

This study uses an associative quantitative method to examine the relationships among three key constructs: psychological contract breach (H), work engagement (Y), and life satisfaction (Z). The primary goal is to understand how one variable influences another, particularly the causal relationships between these constructs.

Sample and procedures

This study focuses on Gen Z employees aged 21 to 27 working across various sectors in Jakarta. The researchers employed a purposive sampling technique to select participants, which involves choosing individuals based on specific criteria relevant to the study (Hendryadi et al., 2019). The determination of the sample size was guided by the recommendations of Hair et al. (2020), which suggest that for Structural Equation Modeling (SEM) analysis, the minimum sample size should be five times the number of indicators. In this case, with 33 question items, the minimum sample size would be 165. However, alternative guidelines suggest that for a simple SEM model involving

three variables, a sample size of 150 is considered acceptable (Hair et al., 2019; Tabachnick & Fidell, 2007).

In this study, 170 questionnaires were distributed, and after verifying the completeness of the responses, 158 questionnaires were deemed suitable for further analysis. This sample size aligns with the minimum requirements for conducting a simple SEM analysis, ensuring the study's findings are statistically valid and reliable. The respondents in this study were 158 Generation Z employees working in various job sectors in Jakarta. Respondent descriptions are based on age, gender, highest level of education, job sector, marital status, length of service, and average annual income. The following is a description of the results of each respondent characteristic.

A total of 158 Generation Z employees were involved in this study. Among all respondents, 90 female Generation Z employees (57 percent) and 68 male employees (43 percent). Thirty % of respondents work in the restaurant sector and have worked for one to two years in a contract employment status. Some respondents have high school/vocational school and bachelor's degrees. The study results showed that the average Generation Z employee is unmarried and has a monthly income of three to five million.

Measurement

In this research, the psychological contract breach variable was measured based on ten items developed by Robinson and Morrison (2000), with minor adjustments made to fit the language context. An example of an item used is, "I feel that my boss has fulfilled the promises made when I was hired." The study employed 12 items from the Utrecht Work Engagement Scale (UWES), developed by Schaufeli and Bakker, to measure the work engagement variable. An illustrative item from this scale is, "At my workplace, I feel full of energy." The life satisfaction variable was assessed through 11 items adapted from Erdogan et al. (2012), again with slight modifications to the language context. An example item is, "If I could redo my life, I would change many things." Respondents were asked to evaluate each item using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This approach enables a nuanced understanding of respondents' perceptions regarding psychological contract breach, work engagement, and life satisfaction, facilitating a comprehensive analysis of the relationships among these variables.

Data analysis technique

Following the guidelines established by Hair et al. (2020), data processing for this study began only after all responses from participants had been collected. The data analysis technique used is Structural Equation Modeling (SEM), implemented through the Jamovi 2.5.5 application. SEM is an advanced multivariate analysis method that allows for the simultaneous examination of multiple variables and their interrelationships. This technique is widely utilized in quantitative research across various scientific disciplines because it can model complex relationships and evaluate both direct and indirect effects among variables. By employing SEM, this study aims to provide an in-depth understanding of how psychological contract breach, work engagement, and life satisfaction are interconnected, particularly in the context of Generation Z employees in Jakarta.

4. Results

Confirmatory factor analysis

According to the information presented in Table 1, the suitability test of the research model assesses the study's overall goodness of fit. The results indicate that out of the eight criteria evaluated, three chi-square, SRMR (Standardized Root Mean Square Residual), and RMSEA (Root Mean Square Error of Approximation) are in a poor model condition. Conversely, five criteria meet the standards for a good model condition. Despite three criteria indicating a poor fit, the majority of the criteria (five out of eight) suggest that the model demonstrates a good overall level of fit. Therefore, the goodness of fit for this study is generally acceptable, indicating that the model adequately represents the relationships among the variables being examined. This conclusion supports the validity of the findings derived from the analysis.

Table 1. Suitability Test

Goodness of Fit Index	Cut off value	Results	Decision
Chi-Square	> 0,05	< 0.05	-
SRMR	< 0,06	0.09	Good fit
GFI	≥ 0,90	0.958	Good fit
AGFI	≥ 0,90	0.944	Good fit
RMSEA	≤ 0,08	0.106	-

Source: data processing (2024)

Table 2. Convergent validity

Indicator	Mean	Loading Factor	Cronbach Alpha
PCB1	2.53	0.704	0.918
PCB2	2.57	0.715	0.918
PCB3	2.65	0.548	0.918
PCB4	2.77	0.769	0.918
PCB6	2.58	0.857	0.918
PCB7	2.35	0.874	0.918
PCB8	2.43	0.894	0.918
PCB9	2.11	0.67	0.918
PCB10	2.99	0.686	0.918
WE1	3.74	0.843	0.908
WE3	4.37	0.571	0.908
WE4	3.91	0.749	0.908
WE5	3.85	0.625	0.908
LS1	3.39	0.747	0.768
LS2	3.49	0.775	0.768
LS3	3.54	0.711	0.768
LS4	3.63	0.685	0.768
LS5	3.41	0.797	0.768
LS7	2.43	0.511	0.768
LS9	3.38	0.794	0.768
LS10	3.75	0.734	0.768
LS11	3.08	0.843	0.768

Source: data processing (2024)

The data presented in Table 2 indicate that 22 indicators were utilized in the study. At the same time, 11 statement items were excluded because their standardized loading factor values exceeded 0.5, which is considered a valid threshold for inclusion. Specifically, one indicator, PCB5, was deleted from the psychological contract breach variable (X). Eight observed variables were removed from the work engagement variable (Y): WE2, WE6, WE7, WE8, WE9, WE10, WE11, and WE12. Additionally, two observed variables, LS6 and LS8, were deleted from the life satisfaction variable (Z). As a result, the remaining 22 indicators are deemed feasible and valid for further analysis, ensuring that the study's findings are based on reliable and relevant measures of the examined constructs. This careful selection process enhances the robustness of the research outcomes.

According to the information presented in Table 3, the discriminant validity test utilizing the HTMT approach indicates that the measurement model meets the criteria for discriminant validity. This result was determined by examining the correlation matrix values between the latent variables, which do not exceed the cutoff value of 0.95 (Hair et al., 2020).

Table 3 Discriminant validity

	PCB	LS	WE
PCB	1	0.784	0.654
LS	0.784	1	0.799
WE	0.654	0.799	1

Source: data processing (2024)

Table 4. Path coefficient and p-value

	Path	Estimate	SE	β	p
H1	PCB \Rightarrow LS	-0.889	0.125	-0.698	< .001
H2	PCB \Rightarrow WE	-0.09	0.105	-0.086	< .001
H3	LS \Rightarrow WE	0.567	0.095	0.692	< .001
H4	PCB \Rightarrow LS \Rightarrow WE	-0.505	0.099	-0.484	< .001

Source: data processing (2024)

The hypothesis testing results indicate that a psychological contract breach negatively and significantly affects life satisfaction, evidenced by a standardized coefficient of -0.8893 and a p-value < 0.05. This result suggests that life satisfaction decreases as the level of psychological contract breach increases.

Additionally, the findings demonstrate that life satisfaction has a positive and significant influence on work engagement, with a coefficient of 0.5678 and a p-value of less than 0.05, indicating that higher levels of life satisfaction are associated with increased work engagement.

Furthermore, psychological contract breach also negatively and significantly impacts work engagement, with a coefficient of -0.0904 and a p-value of less than 0.05. This result suggests that as the likelihood of psychological contract breach increases, work engagement declines.

Lastly, the analysis shows that the effect of psychological contract breach on work engagement is mediated by life satisfaction, with a coefficient of -0.505 and a p-value < 0.05, indicating the negative impact of psychological contract breach on work engagement occurs through its influence on life satisfaction.

These findings confirm that psychological contract breach adversely affects life satisfaction and work engagement. In contrast, life satisfaction has a positive influence on work engagement. The mediation effect of life satisfaction emphasizes its role in the relationship between psychological contract breach and work engagement.

5. Discussion

Psychological contract breach and life satisfaction

significantly and negatively impacts the life satisfaction of Generation Z employees, with a coefficient of -0.8893 and a p-value of less than 0.05. This finding indicates that as the level of psychological contract breach increases for these employees, their life satisfaction decreases. This is consistent with previous research by Ampofo (2021) and Kakarika et al. (2017), which also found a negative relationship between psychological contract breach and life satisfaction (Ampofo, 2021; Kakarika et al., 2017). The implications of these results suggest that experiencing a breach of the psychological contract at work can have a negative impact on an individual's overall life satisfaction. Employees who face unmet expectations, such as excessive work demands without adequate support, may see a decline in their life satisfaction. Given these findings, organizations must focus on effective psychological contract management. Companies should prioritize maintaining a healthy psychological contract between supervisors and employees. This priority can be achieved through clear communication, transparency, and consistency in fulfilling commitments. By fostering a positive relationship in this area, organizations can reduce the risk of psychological contract breaches and ultimately enhance employee life satisfaction.

Psychological contract breach and work engagement

Psychological contract breach has a negative and significant impact on employee work engagement, with a coefficient of -0.0904 and a p-value of less than 0.05. This indicates that as the level of psychological contract breach experienced by Generation Z employees increases, their work engagement decreases. This finding aligns with previous research by Ramadhan & Parimita (2022); and Shi & Gordon (2020), which also identified a negative relationship between psychological contract breach and work engagement. When employees experience a breach of the psychological contract at work, it can lead to adverse outcomes, including uncertainty,

disappointment, and feelings of injustice, ultimately diminishing their work engagement and motivation. Therefore, organizations must focus on enhancing the psychological contract between supervisors and employees to foster higher levels of work engagement.

The implications of this study underscore the importance of companies acknowledging that breaches of the psychological contract can have a detrimental impact on employee engagement. A lack of recognition for employees' contributions can lead to feelings of being overlooked, which in turn diminishes engagement. Generation Z employees particularly value constructive feedback and acknowledgment of their achievements. When organizations fail to provide this recognition, employees may feel unappreciated, leading to a breach of the psychological contract and a subsequent decline in work engagement.

Life satisfaction and employee engagement

The analysis indicates that life satisfaction (LS) has a positive and significant effect on employee work engagement, with a coefficient of 0.5678 and a p-value of less than 0.05. This result suggests that as the level of life satisfaction among Generation Z employees increases, their work engagement also rises. This finding is consistent with previous research by Eldor et al. (2020) and Ferreira et al. (2020), which found a positive relationship between life satisfaction and work engagement. Employees who experience higher levels of life satisfaction are likely to demonstrate a stable and elevated level of engagement in their work (Eldor et al., 2020; Ferreira et al., 2020). This satisfaction can foster various positive outcomes, including enhanced creativity and productivity, ultimately contributing to increased work engagement. These findings have significant implications for organizations. Companies should consider implementing policies that promote flexibility, such as remote work options or flexible working hours, to help employees achieve a better work-life balance. Management should also focus on providing career development opportunities that enhance employee satisfaction and motivation. Organizations can expect increased employee work engagement by facilitating career growth, as employees will be more energized and committed to their work.

The mediating role of life satisfaction

The findings of this study confirm that psychological contract breach has a negative and significant impact on the work engagement of Generation Z employees, with a significant negative correlation of -0.505 ($p < 0.05$). This suggests that as the perceived level of psychological contract breach increases, the level of work engagement among employees decreases. Furthermore, this decline in work engagement can also adversely affect employee life satisfaction. Notably, the study reveals that life satisfaction is a mediating variable. This finding has not been previously documented in the literature. This underscores the importance of considering broader psychological factors within human resource management. Organizations must recognize that psychological contract breaches not only diminish work engagement but can also hurt the overall well-being of employees.

The implications of these findings are significant for companies. They should minimize psychological contract breaches to enhance employee work engagement, boost productivity, and contribute to overall employee satisfaction. Organizations must maintain and fulfill psychological contracts with their employees, which includes honoring commitments and meeting expectations to prevent harmful violations. Given the relationship between work engagement and life satisfaction, companies should prioritize the overall wellbeing of their employees. Wellness programs, mental health support, and flexible work policies can create a more supportive work environment, fostering higher engagement and satisfaction levels.

The results of this study offer new insights into the existing literature on young employees, particularly Generation Z, within the organizational context. These findings suggest that organizations should prioritize building and maintaining employee trust. Key strategies include fostering open communication, ensuring transparency in decision-making processes, and fulfilling employee promises. Moreover, organizations must recognize that Generation Z employees tend to have a heightened awareness of values and ethics in the workplace. This

demographic will likely prioritize ethical practices and corporate social responsibility, which can influence their engagement and satisfaction levels. By aligning organizational practices with the values and expectations of Generation Z, companies can create a more supportive and motivating work environment.

6. Conclusion

This study examines how Generation Z employees perceive their relationship with their company, with a focus on the impact of psychological contract breaches. The findings indicate that such breaches have a significant impact on life satisfaction, which in turn reduces work engagement. Additionally, the research confirms that psychological contract breaches have both direct and indirect effects on work engagement, which in turn influences life satisfaction. By addressing these issues, companies can create a more positive work environment for Gen Z employees. However, the study has limitations, including a limited sample size, a cross-sectional design, and reliance on older references. Future research should expand the sample size, employ longitudinal methods, and incorporate more recent studies to enhance the findings.

The managerial implications of this study highlight the importance for organizations to build and maintain strong psychological contracts with Generation Z employees. Managers should ensure transparency, fairness, and consistency in delivering what has been promised, as breaches can directly diminish life satisfaction and indirectly reduce work engagement. Companies need to develop supportive HR policies that address Gen Z's expectations, such as providing career development opportunities, empathetic leadership, and open communication channels. By fostering a positive work environment that aligns organizational practices with employee values, firms can enhance engagement, reduce turnover intentions, and strengthen long-term organizational commitment.

Recommendation

To mitigate the negative impacts of psychological contract breach, companies need to enhance communication transparency, establish clear expectations, and offer support for the well-being of Generation Z employees, such as work-life balance programs and career development opportunities. Furthermore, future research should expand the sample size by including more respondents from diverse sectors and regions, thereby increasing the generalizability of the results. The use of longitudinal methods is also recommended to gain a deeper understanding of the causal relationship between psychological contract breach, life satisfaction, and work engagement. Furthermore, future studies should update references to incorporate the latest research, reflecting the ever-evolving dynamics of the work environment.

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