ORGANIZATIONAL AND PSYCHOLOGICAL OUTCOMES OF JOB INSECURITY: A CROSS SECTIONAL INVESTIGATION IN THE PRIVATE SECTOR ORGANIZATIONS OF PAKISTAN USING SUBJECTIVE APPROACH OF JOB INSECURITY

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Abstract

Job Insecurity being the prevailing phenomenon has been discovered to be connected with psychological disorders such as anxiety, uncertainty and stress. It has also been evident that job insecurity perception triggers intention to leave and results in decreased job satisfaction, organizational commitment and job performance. This cross-sectional study examined the phenomenon in the private sector organizations of Pakistan where vital existence of the perceived job insecurity has been observed. 250 respondents were selected by stratified sampling technique to gather primary data. Findings have significantly supported the model developed and job insecurity has proved to be the contributor of psychological outcome in term of stress, anxiety and uncertainty. These psychological outcomes along with job insecurity negatively affect job performance, organizational commitment, intention to leave and job satisfaction which does not only impact the mental health of the victims of job insecurity but ultimately organization’s productivity and future prospects of growth.

Keywords: Job Insecurity, Psychological outcomes, Organizational outcomes.

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Introduction

Job insecurity is a prevailing phenomenon observed in the private sector organizations. There are empirical evidences that affected employees of perceived job insecurity suffer from certain psychological disorders such as anxiety and stress. Studies have also shown the increased level of intention to leave and lack of organizational commitment along with decreased job performance and job satisfaction. Empirical support has been found for a connection between job insecurity and employees’ reactions, Yağlıoğlu, Karagi Gilles and Baran (2013). There are many contributors of job insecurity e.g. economic conditions of the country, available job opportunities in labor market, unemployment rate and industry’s growth rate etc. Subjective approach of job insecurity refers to the perception that is created in employee’s mind due to certain external factors and the nature of job is secure. It is different from objective approach of job insecurity where the job is insecure by its nature e.g. contractual employment on contingency workers. Objective approach is out of the scope of the current study. Findings of many studies thus provide the indications that job insecurity is negatively connected with job and organizational attitude as well as with health and well-being of employees (Hellgren et al, 1999; Jonge et al, 2000; Sverke et al., 2002; Hellgren and Sverke, 2003; Cheng et al, 2005; Storseth, 2006; Cuyper et al, 2008).

Many researchers (Gowing, Kraft, & Campbell Quick, 1998; Pfeffer, 1998; Sverke, Hellgren, Näswall, Chirumbolo, De Witte & Goslinga, 2004) have proposed that over the past decades working life has been changed dramatically. These changes are related to escalated demands, high economic dependency between countries, quick changes in consumer markets, within as well as between organizations. As a result many organizations worldwide have gone through mergers, restructuring, downsizing and acquisitions as a result of globalization, increasing competition, deregulation of labor markets and inducting short term and temporary contracts. As noticed by...
among others (Cascio, 1998), Organizations have two choices in order to become more productive: they can either reduce their costs or increase their profits, often by decreasing the number of employees. These hierarchical choices are frequently acknowledged in activities like outsourcing, privatizations, mergers and acquisitions, regularly in fusion with staff diminishments through layoffs, offers of early retirement and expanded use of subcontracted workers (Burke & Cooper, 2000; Burke & Nelson, 1998; Tetrick & Quick, 2003).

Beside its effect on functioning of organization, job insecurity is also known to be impacting employees’ health (Ferrie, 2001). Distrust in organization leading to shatter organizational commitment, loss of morale, uncertainty about job’s future, anxiety and depression cause negatively to employees’ actual job performance which ultimately hits organizational performance as a negative consequence. This prevailing phenomenon must be examined for the betterment of employees and organizations.

**Literature Review**

*Job Insecurity*

The concept of job insecurity has been subject to changes in meanings in the last decades. Job insecurity was taken as a motivator rather than as a stressor during the mid 1960s and 1970s (Hackman & Oldham, 1975). In the mid-1980s, Greenhalgh and Rosenblatt (1984) were among the firsts who pointed job insecurity in a larger hypothetical context who, with their hypothetical model, summarized the meanings of job insecurity and explained on the potential causes, effects, also hierarchical outcomes of the phenomenon. They characterized job insecurity as “perceived powerlessness to maintain desired continuity in a threatened job situation and that job insecurity is based on the individual’s interpretation of the immediate work environment and perception regarding that environment” (1984, p. 438). This indicates the
derivation of subjectively threats from objective threats by means of personal cognitive and perceptual process (cf. theories of psychological climate; James & Sells, 1981).

More flexibility expectations and demanding job by the organizations from employees has become more relevant phenomenon in the last decade. Job insecurity has proved to be a more severe stressor in case of those who are more dependent on their jobs. Job insecurity and job satisfaction is moderated by financial dependants, household contribution and work involvement (Richter, A., Näswall, K., Oettel, C. and Sverke, M., 2014)

Concerning the consequences for the well-being of the worker, prolonged job insecurity has long term negative impacts on employees’ depression levels, expanding psychosomatic gripes and physical strains (De Witte, 1999). Job insecurity additionally diminishes mental wellbeing and job satisfaction and is a standout amongst the most distressful parts of the work situation (Mauno, Leskinen and Kinnunen, 2001). Second, subjective job insecurity has been interfaced to negative behavior towards one’s job and organization, and hesitance to remain attached with the organization (Ashford et al., 1989; Näswall and De Witte, 2003; Sverke et al., 2002). Indeed, it has been suggested by literature review that threat to job is a crucial concern for both employees and their respective organizations (Sverke and Hellgren, 2003). Studies have demonstrated that job insecurity among workers prompts job dissatisfaction (Ashford, Lee, & Bobko, 1989; Davy, Kinicki, & Sheck, 1991).

Consequences of subjective and objective type of job insecurity have been compared by Witte and Näswall, (2003) who found among those who are experiencing high degree of job insecurity that permanent employees reported declined levels of organizational commitment and job satisfaction than those who have temporary nature of job. These findings led authors to argue that job insecurity ought to contain an element of subjectivity rather than to be defined from

PAKISTAN BUSINESS REVIEW APRIL 2016
characteristics of situation. Other researchers, in contrast to this, focused on the perception of the individuals that how secure they think their present job (Davy et al., 1997; Lim, 1997). However in the domain of the research of behavioral sciences and psychology subjective approach is predominant. This approach is based upon two basic assumptions: (1) Job insecurity experience is individual and subjective. (2) It is focused around an involuntary change from a secure to a non-secure circumstance.

**Job Insecurity Consequences**

Employment provides income, social contracts, structured life and opportunities for personal development to an individual (Jahoda, 1982). Job insecurity results threat to vital aspects of employees’ personal life such as social, economic and personal aspect (De Witte, 1999). Job insecurity results in uncertainty about employment future resulting not only in emotional and psychological disorders but severely affecting employees’ overall life in terms of economic and other valued aspects (Ashford et al., 1989; Hartley et al., 1991). One of the most potent features of job insecurity is the prevailing ambiguity of and uncertainty which ultimately leads to stressful circumstances which are accompanied by behavioral, somatic and psychological reactions (Spector, 2000). Job insecurity, in its consistency results in several different behavioral, health-related and attitudinal outcomes (De Witte, 1999 and Hartley et al., 1991; and Sverke et al., 2002). It has been proposed by many researches that subjective job insecurity is more prone to mental health illness as compared to biological and physical negative consequences (Mohr, 2000). There are evidences that anxiety as the result of job insecurity may give rise to family conflicts (Westman et al., 2001). Organizational cynicism instigates job insecurity perception and intention to leave along with moderating role of demographic characteristics. This issue is however debatable as different finding have supported or disproved their moderating role (Çýnar, O., Karcýoðlu, F., Aslan, I., 2014).
Numerous of attitudinal reactions have been consistently related to job insecurity. More job dissatisfaction was observed for those who perceived their jobs as more insecure than those who perceived their jobs’ future as more secure (Ashford et al., 1989). Similar findings have been obtained in many studies (Davy et al., 1997; Rosenblatt & Ruvio, 1996). Impaired commitment has also been linked to job insecurity (Armstrong-Stassen, 1993; Davy et al., 1997), reduced trust in management (Ashford et al., 1989; Borg & Elizur, 1992), and reduced job involvement levels (Kuhnert & Palmer, 1991; Leavoni & Sales, 1990). Findings of the study conducted in Australia suggest that job insecurity and additional work-responsibilities have been evident to disturb work-life balance (Serena Yu, 2014). Job insecurity in terms of perceived risk of job loss (subjective job insecurity) has been posited to have lower level of job satisfaction; especially relationship is moderated when there are fewer or more job opportunities. The findings are strongest with reference to less-educated workers (Artz & Kaya, 2014). Similar findings have been reported in a study proposing that subjective job insecurity can be induced by lower well-being and unemployment rate (Scwarz, 2012). Employees tend to move from insecure work environment to secure work environment. Threat to job, just like any stressor, is associated with higher level of turnover intentions (Burke & Nelson, 1998).

Significant relationship between job insecurity and turnover intention has been observed which is partially mediated by Occupational well-being. Further, at the individual level the lower level of well-being creates stronger negative effect of job insecurity (Mauno et al., 2014). Further Cynicism (distrust) influences intention to leave (Shahzad & Mehmood, 2012). Similar findings have been reported in a study proposing that subjective job insecurity can be induced by lower well-being and unemployment rate (Scwarz, 2012).

Qualified workers, being a valuable asset for an organization are of more concern for managers as they can find new job easily if they feel job insecurity (Hartley et al., 1991). Expectations that higher
level of job insecurity is related to decrease self-rated performance have been observed by some empirical evidences but they are inconsistent (Armstrong-Stassen, 1993; Rosenblatt et al., 1999). However there is another point of view in contrast to this which suggests that employees having the threat of lay-off enhance their performance to avoid being the victim of lay-off (Sverke & Hellgren, 2001). There also exists some support for a negatively moderate association between job insecurity and performance of employees (Abramis, 1994).

**Figure 1**

*Conceptual Framework of job insecurity*

Profuse literature of job insecurity with respect to subjective approach is not available. On the other hand job insecurity perception is very much linked with unethical practices of employers related to hire and fire policies and activities such as lay-off which are kept undocumented in sub-continents and especially in the case of Pakistan. So identification of organizations where subjective job insecurity is prevailing has been an arduous task.

**Hypothesis**

H<sub>1</sub>: There exists a positive relationship between job insecurity and its psychological outcome (Uncertainty, Anxiety and Stress).
H2: Job Insecurity has an impact on employees’ Job Satisfaction, Organizational commitment, Intention to leave and Job Performance.
H3: Psychological outcomes of Job Insecurity have an impact on Organizational outcomes of Job Insecurity.

Methodology

Participants

In this cross sectional primary research, respondents were selected among 5 private sector organizations in Karachi. Sample size of 250 respondents was selected by stratified sampling technique (N=250). Each stratum comprising of 50 respondents from each organization was drawn, consisting of 4 managers and 44 non-managerial staff. Each stratum includes 2 female respondents as they constitute 3% of private sector employees (Farida, 2010). All respondents fall in the age bracket between 18 to 60 years of age (M=33.42, S.D=5.78) which is the legitimate age to provide services in any organization in Pakistan. Job status of all the respondents is non-contractual. Questionnaires were administered personally.

Measures

Job Insecurity: Subjective approach has been used to measure job insecurity (De Witte, 2000; Mohr, 2000; Roskies, Louis-Guerin, & Fournier, 1993). Job insecurity has been measured by using five items on five-point Likert scale (from 1 = strongly disagree to 5 = Strongly Agree). (α=89.6).

Uncertainty has been measured by three items on five-point Likert scale (from 1 = Very high to 5 = Very low) proposed by Bordia, P. et al, 2004, Schweiger and DeNisi, 1991 having (α=68.3).

Anxiety and Stress were assessed by two and four items respectively (Hunter & Thatcher, 2007) having Cronbach’s Alpha =
73.7 and 77.3. These variable have been measured using five-point Likert scale (from 1 = strongly disagree to 5 = Strongly Agree).

*Job Satisfaction*’s measurement was made by five item proposed by Luthans, 1998 on five point Likert scale (from 1 = strongly disagree to 5 = Strongly Agree) having $\alpha=95.5$.

*Organizational Commitment* (Affective organizational commitment) has been measured by three items extracted from the questions proposed by Alen & Mayer (1993). Measurement was made on five point Likert scale (from 1 = strongly disagree to 5 = Strongly Agree). The value of Cronbach’s Alpha is 91.5.

*Intention to Leave* was measured on five point Likert scale (from 1 = strongly disagree to 5 = Strongly Agree) by two items (Schalkwyk et al, 2010), ($\alpha=75.2$).

*Job Performance* has been measured by items proposed by Chirumbolo & Areni, 2005 on five-point likert scale. The value of reliability analysis is significant ($\alpha=78.6$).

**Methods**

The research comprises of three phases. In first phase the impact of Job insecurity has been measured on Uncertainty, Anxiety and Stress (psychological outcome) while in the second phase the impact of Job Insecurity and been measured on Job Satisfaction, Organizational Commitment, Intention to Leave and Job Performance (Organizational Outcome). In the third stage, joint effect of Uncertainty, Anxiety and Stress (psychological outcome) has been observed on Job Satisfaction, Organizational commitment, Intention to leave and Job Performance by applying regression analysis on SPSS v. 17 to assess the cause and effect of proposed independent and dependent variables.
Organizational and Psychological Outcomes of Job Insecurity... Research

Data Analysis

Regression analysis has been performed to measure cause and effect among proposed dependent and independent variables.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>IV</th>
<th>DV</th>
<th>R²</th>
<th>β</th>
<th>t</th>
<th>p</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>Job Insecurity</td>
<td>Uncertainty</td>
<td>0.816</td>
<td>0.666</td>
<td>8.29</td>
<td>0.000</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Stress</td>
<td>0.615</td>
<td>0.737</td>
<td>6.25</td>
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<td><strong>Accepted</strong></td>
</tr>
<tr>
<td>H₂</td>
<td>Job Insecurity</td>
<td>Job Satisfaction</td>
<td>0.861</td>
<td>0.742</td>
<td>7.92</td>
<td>0.000</td>
<td><strong>Accepted</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Job Performance</td>
<td>0.948</td>
<td>0.690</td>
<td>9.01</td>
<td>0.000</td>
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</tr>
<tr>
<td></td>
<td>Intent to leave</td>
<td>Organ Commitment</td>
<td>0.825</td>
<td>0.660</td>
<td>8.75</td>
<td>0.000</td>
<td><strong>Accepted</strong></td>
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<tr>
<td></td>
<td></td>
<td>Job Performance</td>
<td>0.851</td>
<td>0.724</td>
<td>9.01</td>
<td>0.000</td>
<td><strong>Accepted</strong></td>
</tr>
</tbody>
</table>

Notes:
* p<0.05
** Since p and t values are insignificant, overall impact of the construct (uncertainty, anxiety and stress) is significant, hence alternative hypothesis was accepted.

PAKISTAN BUSINESS REVIEW APRIL 2016 28
Discussion

The regression results reported in the table above indicates that all of the estimated parameters are statistically significantly different from zero except for the coefficient of stress in the case of $H_3$. In the case of Job insecurity, positively significant increase has been observed in uncertainty, anxiety and stress among the respondents in the case of Pakistan that strengthen the proposed relationship hypothesized in this study. Similarly Job insecurity is found to be significantly negatively associated with job satisfaction, organizational commitment and job performance whereas the same is found to be positively impacting intention to leave, implying that in such case scenarios, the desire to leave the organization might be intensified; again implying the acceptance of the proposed hypothesized relationship in $H_2$.

In the similar fashion, the construct depicting psychological outcomes indicate that uncertainty and anxiety bear negative consequences of decrease in job satisfaction. However stress is found to be found to be insignificant against the same. Likewise, organizational commitment is found to be decreasing in the advent of increase in uncertainty, anxiety and stress. The intention to leave is found to be positively associated with uncertainty and anxiety, however the same is found to be insignificant against stress. Finally, job performance is found to be decreasing with the increase in uncertainty and anxiety; however the same is insignificant in the case of stress. Furthermore the explanatory power, as depicted by the $R^2$ value for almost all of the estimated equations is found to be significantly high which is quite promising for a small sample like the one adopted in this study.

Conclusion

Job insecurity has been experienced as a common phenomenon in the private sector organizations of Pakistan. Lack of
professionalism, poor HR practices, undeveloped systems, increased unemployment, incapable leadership or whatever the cause may be, job insecurity perception is not only affecting employees' mental health in term of anxiety and stress which ultimately harm their mental and physical abilities and causes health related issues and family conflicts but also its organizational outcome are too severe. Employees’ commitment to organization, being the significant intangible asset for any organization is at stake because of job insecurity. Employees experience job dissatisfaction which negatively affects their professional life and future progress in their respective professions. Job insecurity and its joint effect with psychological outcome impact on employees job performance that ultimately affects organizational productivity and growth. Increased trend to leave the organization as soon as the opportunity is available is another unfavorable outcome of increased perceived job insecurity and lack of organizational commitment. Results from data analysis have witnessed that the increase in sense of job insecurity, uncertainty and stress have caused elevated levels of intention to leave the organization.

**Recommendations**

- Organizations should take drastic measures to eliminate uncertainty with respect to lay-off initiatives to avoid organizational outcome of job insecurity.
- Potential talent retention is of crucial importance for organizational long term success. This can be attained by eliminating job insecurity perception which can also result in greater job satisfaction and organizational commitment.
- Psychological outcome of job insecurity can lead to severe mental-physical illness which can not only result in performance deterioration of employees but can also impact family and lead to harmful effect on the entire family.
- Fair policies and open communication network within organizations can be helpful to prevent job insecurity perception.
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Job insecurity, leadership empowerment behavior, employee 
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