

# Effect of Job Security on Organizational Performance with Organizational Commitment as a Moderator

Peter Butali<sup>1</sup>, David Njoroge<sup>2</sup>

<sup>1</sup>Lecturer, School of Business and Economics, Garissa University, Kenya

<sup>2</sup>Lecturer, School of Business and Economics, Kirinyaga University, Kenya

**Abstract:** *The purpose of this study was to find out the impact of job security on organizational performance and to find out the moderating effect of organizational commitment on the relationship between job security and organizational performance. This study was carried out in three companies namely Kenya Power, KenGen and Mumias Sugar Company. Descriptive survey design was adopted in the study. The study population was 5866 employees in the three companies. The findings of the study were that job security had a significant effect on organizational performance. The study further showed that affective commitment, continuance commitment and normative commitment moderated the relationship between job security and organizational performance.*

**Keywords:** Job security, employee performance and organizational commitment

## 1. Introduction

Employees are a valuable asset to an organization. A number of factors affect the performance of employees. One such factor is job security. Job insecurity refers to an employee's perception that his or her job is uncertain and may come to an abrupt end at any time (Riesel et al., 2007). Job insecurity has been attributed to competitiveness, economic downturn/recession, technological change and the pressure to remain profitable in a fast changing business environment. Employees would want to be employed in an organization where job security is guaranteed; not where they are unsure about tomorrow. Job insecurity only leads to high turnover as employees will ever be searching for a secure job. When a worker feels their job security is threatened they will find other employment opportunities (Ashford et al., 1989). An unsettled employee cannot be productive in an organization. When an opportunity presents itself, workers will exit at the earliest opportunity. Job insecurity is associated with reduced levels of job satisfaction and organizational commitment (Ashford et al., 1989). Job insecurity has also been associated with reduced organizational citizenship behavior (Feather & Rauter, 2004). Higher feelings of job insecurity were found to correlate with poorer mental and physical health (Ashford, Lee & Bobko 1989; Hellgren, Sverke & Isaksson, 1999). Job satisfaction, organizational citizenship behavior, and physical and mental health among others are related to employee performance hence the need for this study.

### Objectives

The objectives of the study were:

- a) To establish the effect of job security of employees on organizational performance in listed state corporations in the Nairobi stock exchange.
- b) To find out the moderating effect of organizational commitment on the relationship between job security and organizational performance.

## 2. Literature Review

### Job Security

Job security creates a climate of confidence among employees which cultivates their commitment on the company's workforce. Job security requires a certain degree of reciprocity: firstly, a company must signal a clear message that jobs are secure; then, employees believing that this is true, feel confident and commit themselves to expend extra effort for the company's benefit; finally, a company that has learnt that job security contributes to its performance, invests again in job security (Pfeffer, 2006). Hellgren, Sverke and Isaksson (1999) distinguished between two different forms of job insecurity: A quantitative job insecurity, i.e. worrying about losing the job itself, and a qualitative job insecurity, i.e. worrying about losing important job features.

Today's business environments are far from providing job security to their employees. For example, in an analysis of involuntary job loss in France between 1982 and 2002, Givord and Maurin (2004) found evidence that technological changes contribute to keeping the employees for shorter periods of time, thus increasing job insecurity. When companies do provide job security, then empirical evidence suggests that it has a positive effect on to firm performance. Following Pfeffer (2006), Ahmad and Schroeder (2003) found that among others, job security impacts operational performance indirectly through organizational commitment. In their study of 101 foreign firms operating in Russia, Fey *et al.* (2000) found evidence that human resource practices indirectly improve organizational performance. The results showed that not only, there was a direct positive relationship between job security and performance for non-managers, but job security was the most important predictor of HR outcomes for non-managerial employees.

The results also suggested a direct positive relationship between managerial promotions based on merit and firm performance. Michie and Quinn (2001) examined labour

market flexibility in over 200 manufacturing UK firms and found that job security is negatively correlated with corporate performance. In contrast, results showed that 'high commitment' organizations are positively correlated with good corporate performance.

Job security has a significant effect on the overall performance of the team as well as the organization's performance (James, 2012). He noted that organizations with workers with low job security cause people to lose faith in their future which consequently affects performance. He affirmed that the more an employee enjoys a high job security, the more he is likely to effectively perform his task which is reflected in the overall performance of the organization.

Richter (2011) observed that the negative effect of employees perceived job insecurity can be observed under an individual perspective and organizational perspective. Under an individual perspective, the health and well-being of employees may be negatively affected while from an organizational perspective work behaviors and attitudes may be affected negatively. Reisel et al. (2007) found that job insecurity has a direct effect on organizational performance and that job insecurity weakens the HRM system and undermines the integration of employee efforts that achieve organizational goals.

Declining job security level shows a significant relationship between organizational change and workers performance (McCarthy, 1993). Losing one's job brings about devastating side effects that render most workers vulnerable to suicidal tendencies. Richter (2011) opined that perceived job insecurity can lead to increased strain and decreased well-being for an individual. Cremer and Siegel (1990) argued that a direct link exists between perceived job insecurity and the increased occurrence of ischemic heart disease.

Researchers have proved the differences in performance and behaviors between permanent and contract human resource (Bishop & Goldsby, 2000). Job insecurity was shown to have a negative impact job performance and absenteeism (Chirumbolo, 2005). Chirumbolo (2005) discovered that the perceived job insecurity of Italian workers is negatively related to their job performance. Scheurs et al. (2012) opine that as job security decreases, employees are unable to meet the demands and objectives of their everyday duties. Workers react to job insecurity and their reactions have consequences for organizational effectiveness (Greenhalgh and Rosenblatt, 1984).

There is no agreement on how job security and performance are related. Some studies show that lower rates of job security will lead to lower performance (Ojedokun, 2008). Other studies show that employees who perceive layoff will increase performance in order not to declared redundant (Sverke & Hellgren, 2002). Kolawole (2013) did not find a significant relationship between bank workers' performance and job security. Various studies report contrasting findings hence necessitating this study.

### 3. Organizational Commitment

Arthur (1994) concluded that organizational performance will be enhanced by higher level of employee commitment and that productivity of the organization ultimately increased with the help of organizational commitment. Employee commitment is one of the determinants of workers' performance (Ali et al., 2010). Job insecurity reduces organizational commitment (Gil & Brenda, 2002). Job security is one of the creators of commitment (Thomas et al., 2006).

#### Hypotheses

Based on the literature review, the following hypothesis are formulated:

H0<sub>1</sub>: There is no significant influence of job security on organizational performance in listed state corporations in the Nairobi stock exchange.

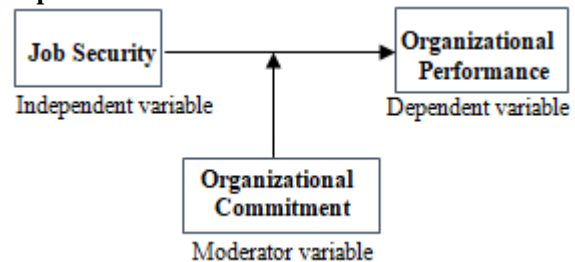
H0<sub>2</sub>: There is no moderating effect of organizational commitment on the relationship between job security and organizational performance

H0<sub>2a</sub>: There is no moderating effect of affective commitment on the relationship between job security and organizational performance

H0<sub>2b</sub>: There is no moderating effect of continuance commitment on the relationship between job security and organizational performance

H0<sub>2c</sub>: There is no moderating effect of normative commitment on the relationship between job security and organizational performance

#### Conceptual framework



### 4. Methodology

Descriptive survey research design was adopted in this study. The study population comprised of 5866 employees of three state corporations namely: Kengen, Kenya Power and Mumias Sugar. The study sample was 361 respondents. The sample selected from Kengen was 126 employees, 122 from Kenya Power and 113 from Mumias Sugar Company. Simple random and stratified sampling techniques were used. An updated instrument by Ichvowski (2010) and Guest (2007) was adopted to obtain data on job security.

### 5. Data analysis and presentation

Data was analyzed using descriptive statistics namely frequency distributions, means, modes, percentages and standard deviations. Data was presented in form of tables, figures, bar graphs and charts.

To test the hypotheses, F-test was used. Multiple regression was applied in order to analyze the effect of job security on

organizational performance as moderated by organizational commitment. The following model was adopted:  
 $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 Z + \epsilon$

where:

Y = Organizational performance

X<sub>1</sub> = Job security

Z = Organizational commitment

β<sub>0</sub> is a constant which denotes organizational performance that is independent of job security and organizational commitment.

ε is a random variable introduced to accommodate the effect of other factors that affect organizational performance within or outside job security that are not included in the model.

The model was first subjected to correlation to establish whether the variable was significant. F-test was further computed to determine the level of significance in the model. Null hypothesis was accepted or rejected based on the p-value obtained. The test was done at α=0.05 level of significance.

## 6. Findings and Discussion

### Influence of Job security on organizational performance

To find out the effect of job security as a high performance work practice on organizational performance, the model used showed that job security significantly influenced organizational performance on its own (r = 0.500, p-value < 0.001). This implied that job security independently explains which is 25.0% of the variation in organizational performance (Y). The study

Model tested was:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where

Y = Organizational performance

X<sub>1</sub> = job security index

ε = Error term

The equation for establishment of organizational performance in the regression formula therefore is:  $Y = 0.500X_1$ . The model equation shows that standardized organizational performance will increase by 0.500 units with one unit increase in standardized job security.

The study findings showed a positive impact of job security on organizational performance. Similarly, the F-test for this factor in the regression model was found to be significant  $F_{(1, 285)} = 94.822$ , p-value < 0.001.

**Table 1:** ANOVA table of job security on organizational performance

		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.195	1	38.195	94.822	.000 <sup>a</sup>
	Residual	114.397	284	0.403		
	Total	152.592	285			

Hypothesis H<sub>01</sub> was therefore rejected since the factor of job security was able to significantly influence organizational performance.

These results are similar to a previous study of Ahmad and Schroeder (2003) who found that among others, job security impacts operational performance indirectly through organizational commitment. In their study of 101 foreign firms operating in Russia, Fey *et al* (2000) found evidence that human resource practices indirectly improve organizational performance.

**Table 2:** Interaction Effects between Job Security and Affective Commitment Regressed on Organizational Performance

Independent variable	Organization Performance		
	Beta	SE	B
Step 1-Independent Variable Job Security	.526***	.089	.859
	R <sup>2</sup> = .277*** ΔR <sup>2</sup> = .277 F Change = 92.528 df = 1, 242		
Step 2- Moderating Variable Affective commitment	.283***	.058	.299
	R <sup>2</sup> = .349*** ΔR <sup>2</sup> = .073 F Change = 26.845 df = 2, 241		
Step 3 Interactions Job Security * Normative Commitment	.669**	.318	.516
	R <sup>2</sup> = .356*** ΔR <sup>2</sup> = .007 F Change = 2.640 df = 3, 240		

The results in Table 2 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable. The findings reveal that in the first model, job security interaction was significant (F (1, 242) = 92.528, p < 0.001) with R<sup>2</sup> value of 0.277 which is 27.7 per cent of variation. The moderating variable (affective commitment) was added to the model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable (affective commitment) in the second step. In this study, the percentage of variability accounted for went up from 27.7 per cent to 34.9 per cent when affective commitment was added. In the second model (affective commitment) was significant (F (2, 241) = 26.845, p < 0.001).

There was change in R<sup>2</sup> when the interaction term was obtained by multiplying the moderating variable (affective commitment) with independent variable (job security) in step three. The percentage of variability accounted for went up from 34.9 per cent to 35.6 per cent. The third model with interaction obtained by multiplying the moderating variable (affective commitment) with independent variable (job security) was significant (F (3, 240) = 2.640, P < 0.001). The results therefore show that affective commitment is a moderator of the relationship between (job security) and organizational performance. Therefore, hypothesis H<sub>02a</sub>: affective commitment does not moderate the relationship between job security and organizational performance was not supported. Therefore it was concluded that affective commitment moderates the relationship between job security and organizational performance.

**Table 3:** Interaction Effects between Job Security and Continuance Commitment Regressed on Organizational Performance

Independent variable	Organizational Performance		
	Beta	SE	B
Step 1-Independent Variable Job Security	.516***	.089	.845
	R <sup>2</sup> =.266*** ΔR <sup>2</sup> =.266 F Change= 89.374 df=1,246		
Step 2- Moderating Variable Continuance commitment	.182***	.073	.237
	R <sup>2</sup> =.297*** ΔR <sup>2</sup> =.030 F Change= 10.547 df=2,245		
Step 3 Interactions Job Security * Continuance Commitment	.635**	.316	.496
	R <sup>2</sup> =.304*** ΔR <sup>2</sup> =.007 F Change= 2.459 df=3, 244		

The results in Table 3 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable (interpretation of R-square). The findings reveal that in the first model, job security interaction was significant (F (1, 246) = 80.374, p < 0.001) with R<sup>2</sup> value of 0.266 which is 26.6 per cent of variation. The moderating variable (continuance commitment) was added to the model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable in second step. In this study, the percentage of variability accounted for went up from 26.6 per cent to 29.7 per cent when continuance commitment was added. In the second model (continuance commitment) was significant (F (2, 245) = 10.547, p < 0.001).

There was change in R<sup>2</sup> when the interaction term was obtained by multiplying the moderating variable (continuance commitment) with independent variable (job security) in step three. The percentage of variability accounted for went up from 29.7 per cent to 30.4 per cent. The third model with interaction obtained by multiplying the moderating variable (continuance commitment) with independent variable was significant (F (3, 244) = 2.459, P < 0.001). The results show that continuance commitment is a moderator of the relationship between (job security) and organizational performance. Therefore, hypothesis H0<sub>2b</sub>:continuance commitment does not moderate the relationship between job security and organizational performance was not supported. Therefore it was concluded that continuance commitment moderates the relationship between job security and organizational performance.

**Table 4:** Interaction Effects between Job Security and Normative Commitment Regressed on Organizational Performance

Independent variable	Organization Performance		
	Beta	SE	B
Step 1-Independent Variable Job Security	.518***	.089	.848
	R <sup>2</sup> =.269*** ΔR <sup>2</sup> =.269 F Change= 91.494 df=1,249		
Step 2- Moderating Variable normative commitment	-.032***	.025	-.014
	R <sup>2</sup> =.270*** ΔR <sup>2</sup> =.001 F Change= .335 df=2,248		

Step 3 Interactions Job Security * Normative Commitment	-.969**	.388	-.731
	R <sup>2</sup> =.280*** ΔR <sup>2</sup> =.010 F Change= 3.561 df=3,247		

The results in Table 4 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable (interpretation of R-square). The findings reveal that in the first model, job security interaction was significant (F (1, 249) = 91.494, p < 0.001) with R<sup>2</sup> value of 0.269 which is 26.9 per cent of variation. The moderating variable (normative commitment) was added to the model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable in the second step. The percentage of variability accounted for went up from 26.9 per cent to 27.0 per cent when normative commitment was added. In the second model, normative commitment was significant (F (2, 248) = 0.335, p < 0.001).

There was change in R<sup>2</sup> when the interaction term was obtained by multiplying the moderating variable (normative commitment) with independent variable (job security) in step three. The percentage of variability accounted for went up from 27.0 per cent to 28.0 per cent. The third model with interaction obtained by multiplying the moderating variable (normative commitment) with independent variable was significant (F (3, 247) = 3.561, P < 0.001). The results therefore show that normative commitment is a moderator of the relationship between job security and organizational performance. Therefore, hypothesis H0<sub>2c</sub>:normative commitment does not moderate the relationship between job security and organizational performance was not supported. Therefore it was concluded that normative commitment moderates the relationship between job security and organizational performance.

## 7. Conclusions

- Job security significantly affects organizational performance.
- Affective commitment, continuance commitment and normative commitment moderated the relationship between job security and organizational performance.

## 8. Recommendations

In the wake of economic recession, mergers, acquisitions and organizational restructuring, organizations should endeavor to provide job security to their employees as it has a positive and significant impact on performance.

## References

- Ahmad, S. & Schroeder R.G. (2003). "The Impact of Human Resource Management Practices on Operational Performance: Recognizing Country and Industry Differences," *Journal of Operations Management*, 21: 19-43.
- Ali I., Rehman K., Ali S.I., Yousaf J. & Zia M. (2010). Corporate Social Responsibility Influences, Employee

- Commitment and Organizational Performance. *African Journal of Business Management*, 4(12), Pp.2796-2801.
- [3] Armstrong – Stassen, M. (1993), Production Workers' Reaction to a Plant Closing. The Role of Transfer, Stress, and Support. Anxiety, Stress and Coping. *An International Journal*, 6, 201-214.
- [4] Ashford, S. J., Lee, C., & Bobko, P. (1989). Content, causes, and consequences of job insecurity: A theory-based measure and substantive test. *Academy of Management Journal*.
- [5] Ashford, S. J., Lee, C., & Bobko, P. (1989). Content, cause, and consequences of job insecurity: A theory-based measure and substantive test. *Academy of Management Journal*, 32(4), 803-829. doi:10.2307/25656.
- [6] Arthur, J. B. 1994. Effects of human resource systems on manufacturing performance and turnover. *The Academy of Manufacturing Performance*, 37(3): 670-687.
- [7] Bishop, J. W., & Goldsby, M. G. (2000). Lay off practices, perceived organizational support, employee commitment, and intention to quit: The role of contingent workers.
- [8] Brockner, J., Tyler, T. R., & Cooper-Schneider, R. (1992). The Influence of Prior Commitment to an Institution on Reactions to Perceived Unfairness. The Higher They Are, The Harder The Fall. *Administrative Science Quarterly*, 37, 241-261.
- [9] Chirumbolo, A. & Hellgren, J. (2003). Individual and Organizational consequences of Job Insecurity: a European study. *Economic and Industrial Democracy*, 24, 215-238.
- [10] Chirumbolo, A. (2005). The influence of job insecurity on job performance and absenteeism: the moderating effect of work attitudes. *SA Journal of Industrial Psychology*, 31 (4), 65-71.
- [11] Cremer, M. (1990). Endoscopic Biliary Drainage in Chronic Pancreatic, *Gastroenterology*, 98-96-100.
- [12] Feather, N. T., & Rauter, K. A. (2004). Organizational citizenship behaviours in relation to job status, job insecurity, organizational commitment and identification, job satisfaction and work values. *Journal of Occupational and Organizational Psychology*, 77, 81-94.
- [13] Gil AP, Brenda AL (2002). The effect of formal versus informal job security on employee involvement programs, *Relations Industrially*; summer (2002), 57, 3: ABI/ Informal Global.
- [14] Hellgren, J., Sverke, M. & Isaksson, K. (1999). A two-dimensional approach to job insecurity: Consequences for employee attitudes and well-being. *European Journal of Work and organizational Psychology*, 8, 179-195.
- [15] Kolawole, A.T., Ajani O.A. & Adisa, A. L. (2013) Declining Job Security Level and Workers' Performance in Selected Banks, South Western Nigeria. *African Sociological review* vol. 17 (2)
- [16] McCarthy, N.I. (1993). Validation of Job Insecurity Scale in a Merger Environment.
- [17] Ojedokun, A.O. (2008), Perceived Job Insecurity, Job Satisfaction, Intention to Quit among Employees of Selected Banks in Nigeria. *African Journal for Psychological Study of Social Issues*, 11 (2), 204-220
- [18] Reisel, W.D. Swee-Lim Chia, S.L Cesar M. Maloles, C.M. & Slocum, Jr. J.W. (2007). The Effects of Job Insecurity on Satisfaction and Perceived Organizational Performance. *Journal of Leadership & Organizational Studies*, 14 (2) 106-116
- [19] Richter, A. (2011). Job Insecurity and Its Consequences Investigating Moderators, Mediators and Gender. Department of Psychology, Stockholm University.
- [20] Schreurs, B. J., Hetty van Emmerik, I., Günter, H., & Germeys, F. (2012). A weekly diary study on the buffering role of social support in the relationship between job insecurity and employee performance. *Human Resource Management*, 51(2), 259-279. doi:10.1002/hrm.21465.
- [21] Sverke, M. and Hellgren, J. (2002). The Nature of Job Insecurity, Understanding Employment Uncertainty on the Brink of a New Millennium. *Applied psychology: An international Review*, 51, 23-42.
- [22] Thomas S, Tram S, O'Hara LA (2006). Relation of employee and manager emotional intelligence to job satisfaction and performance. *J. Vocat. Behav.*, 68: 461-473.