



Job Insecurity and Psychological Wellbeing: Is it Necessary to Foster Employee Performance

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ABSTRACT: Trends 2022 report warns of a slow and uncertain recovery, as the pandemic continues to have a significant impact on global labor markets. Layoffs treat experienced by the blue-collar employee in hospitality industries in Indonesia. This study aims to examine the relationship between job insecurity and psychological wellbeing on employee performance. The sample of the study was 289 blue-collar employees in Surabaya Indonesia, recruited through simple random sampling, from October through the end of November 2022. The result show that job insecurity was positive and significant related to employee performance ($\beta=0.213$, $p=0.033$). Job insecurity was indicated negative and significant to psychological wellbeing ($\beta=-0.421$, $p=0.001$). Psychological wellbeing was indicated negative and significant to employee performance ($\beta=-0.253$, $p=0.004$). This study provides prospective insights to management, that mental health is a crucial factor to performance employee to contribution organizational performance.

KEYWORDS: Employee Performance, Job Insecurity, Psychological Wellbeing, Productive Employment

INTRODUCTION

The COVID-19 pandemic has shaped more than two years and a half of our lives, canceling plans, upending livelihoods, and causing feelings of grief, stress, and anxiety. The International Labor Organization estimates that 195 million jobs could be lost in the second quarter of 2020 as a result of COVID-19.¹ The ILO's World Employment and Social Outlook – Trends 2022 report warns of a slow and uncertain recovery, as the pandemic continues to have a significant impact on global labor markets. Global unemployment is expected to remain above pre-COVID-19 levels until at least 2023. The 2022 level is estimated at 207 million, compared to 186 million in 2019. Pandemic has increased levels of anxiety and depression in individuals.² The downgrade in the 2022 forecast reflects, to some extent, the impact that recent variants of COVID-19 such as Delta and Omnicron are having on the world of work, as well as significant uncertainty regarding the future course of the pandemic.¹

The emergence of anxiety is due to the pandemic's negative impacts on the workforce. They had lost their jobs due to COVID19.³ The unemployment rate was significantly greater. These changes have affected many employees by increasing feelings of insecurity.⁴ Specifically, job insecurity refers to the uncertainty of possible job loss in the future. Job insecurity has a negative association with employees' health and attitudes.⁵ It reduces the well-being of the individual⁶ and employee performance.⁷

Job insecurity means unpredictability such as the future is unclear and difficult to react appropriately about the expectations and behaviors that the employee should adopt. Another crucial factor of job insecurity is uncontrollability such as the lack of control and the feeling of powerlessness towards the threat.^(8,9) Job insecurity was found to impact the mental health of employees.¹⁰ found that job insecurity due to COVID increased depressive symptoms among employees. Similarly, it was revealed in Europe that increased job insecurity was related to lower vitality¹¹. More specifically, job insecurity can be appraised as a hindrance stressor because it puts employees in a threatening situation where they fear losing something of value to their job. If an employee's job is insecure, this means that their situation is characterized by unpredictability and uncontrollability, which puts a burden on the employee. They do not want to belong to the marginalized group of the unemployed.¹² Job insecurity appears to influence the well-being of the worker. It is a chronic stressor.¹³

The current employment environment in the post-disaster situation on organizations is increasingly dependent on the productivity of their employees. Job insecurity is recognized as a work stressor reducing employee performance.¹⁴ The concern about future job loss may be as traumatic as unemployment itself. Psychological well-being is about lives going well. It is the combination of feeling good and functioning effectively.¹⁵ Psychological wellbeing involves the presence of something positive, growth, positive relationships, autonomy, purpose, and environmental mastery. Psychological well-being is composed of our capability to deal with stress in day-to-day life through positive attitudes and the purpose of life.¹⁶ Job insecurity as a hindrance stressor triggers negative



affective to psychological withdrawal (psychological well-being) and behavioral withdrawal (employee performance) because it reflects a passive and indirect coping process.

A few businesses prospect in South-East Asia has the most negative outlook. Indonesia, at the national level, the lower-middle-income economies are faring worst.¹ The experience of unemployment is more negative among blue-collar workers than among white-collar workers.¹⁷ The concept of job insecurity in this study focus on stress reactions to insecurity are not uncertainty about the continued existence of the content or specific aspects of the job (such as a change of income or position within the company). The objective of this study was to examine the relationship between job insecurity, psychological wellbeing to employee performance on blue-collar employees in the hospitality industry, The pandemic causes many hospitality businesses and significantly decreased the demand for businesses that were allowed to continue to operate.¹⁸

METHOD

The sample of this study comprises blue-collar workers in the hospitality industry in Surabaya, Indonesia. The simple random sampling technique is applied to recruit participants for the study. The participants have been asked to complete the survey by using paper format or electronically from October through the end of November 2022. At the end of the data collection, a total of 289 responses have been received.

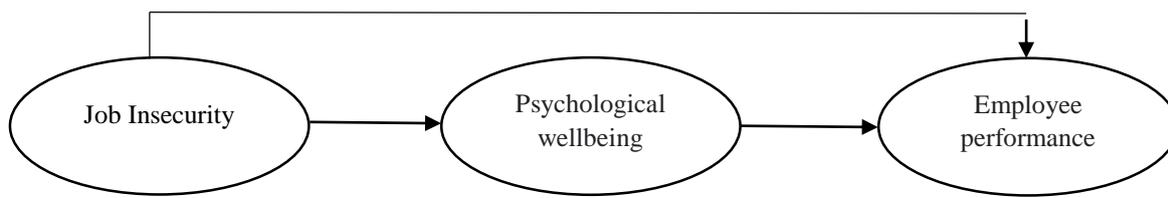


Figure 1: Conceptual Framework

Instruments

The measurements in this study are obtained from the previous research studies to ensure the reliability and validity of the study. Job insecurity was measured using the Job Insecurity Scale (JIS), a scale of four items originally developed by ¹⁹ (sample item: “Chances are, I will soon lose my job”, “I am sure I can keep my job” (reverse coded), “I feel insecure about the future of my job”, and “I think I might lose my job soon”. Respondents were asked to rate these items on a 5-point Likert type scale, ranging from 1 (“strongly disagree”) to 5 (“strongly agree”).

The Psychological Well-Being Scale was used to measure the subjects' well-being. The scale comprises 42 items to evaluate an individual's development and self-realization. It includes six subscales: autonomy, personal growth, environmental mastery, life purpose, self-acceptance, and positive relatedness, developed by ¹⁶ (sample item: “I tend to worry about what other people think of me”, “I have confidence in my opinions, even if they are contrary to the general consensus”, “I do not enjoy being in new situations that require me to change my old familiar ways of doing things”, “For me, life has been a continuous process of learning, changing, and growth”, “The demands of everyday life often get me down”, “I am quite good at managing the many responsibilities of my daily life”, “I live life one day at a time and don't really think about the future”, “My daily activities often seem trivial and unimportant to me”, “When I look at the story of my life, I am pleased with how things have turned out”, “My attitude about myself is probably not as positive as most people feel about themselves”, “Maintaining close relationships has been difficult and frustrating for me”, “I often feel lonely because I have few close friends with whom to share my concerns”). Respondents were asked to rate these items on a 5-point Likert type scale, ranging from 1 (“strongly disagree”) to 5 (“strongly agree”).

Employee Performance, Self-rated performance was measured with 3 items ²⁰ (sample item: “I will carry out the tasks in accordance expected from my job”, “I will undertake the tasks that my job formally demands of me”, “I will fulfill the responsibilities specified in my job position”). Respondents were asked to rate these items on a 5-point Likert type scale, ranging from 1 (“very badly”) to 5 (“very well”).



RESULT

The study was participated by 289 responses. The sample consists of blue-collar workers who have an employment status such as permanent workers ($n = 58$), contract workers ($n = 107$), and outsourcing workers ($n = 124$). The duration of working for one to two years ($n = 113$), three to four years ($n = 127$), and more than five years ($n = 49$). Most of them are women ($n = 188$). For the test, hypotheses use partial least square structural equation modeling (PLS-SEM). We used a two-step approach,²¹ the measurement and structural model. The characteristics of the sample are summarized in table 1.

Table 1. Demographic data

Characteristic	Category	Quantity	Frequency (%)
Gender	Male	101	35
	Female	188	65
Employment status	Permanent workers	58	20
	Contract workers	107	37
	Outsourcing workers	124	43
Duration of work	1 – 2 years	113	39
	3 – 4 years	127	44
	More than 5 years	49	17

The measurement models

The first sections are the measurement model to test the validity and reliability construct of this study. A validity test includes convergent, construct, and discriminant validity. Convergent validity measures reflective indicators estimated based on the correlation between item score or component score. Loading factor values > 0.5 indicate that indicators are valid. Construct validity indicates how far the test measure constructs theory as a basis for building that test. The average Variance Extracted (AVE) value is above 0.5 indicates a better construct validity. Composite reliability and Cronbach’s alpha > 0.7 .²² Table 2 indicates descriptive statistics. All indicator values of four constructs meet the standard, outer loading values noted in the range of 0.705 to 0.870. The Cronbach’s alpha values fall in the range of 0.823 to 0.878. The composite reliability values fall between 0.835 to 0.880. The AVE values fall in the range of 0.618 to 0.763. Table 3, discriminant validity/ Fornier-Larcker criterion assesses the extent to which a construct does not correlate with other constructs. The AVE’s square root values are greater than the correlations between variables, thereby proving good discriminant validity.

Table 2. Factor loadings, composite reliability, and AVE

Constructs	Items subscale	Outer Loading	Cronbach’s Alpha	Composite Reliability	AVE
Job Insecurity (X)	J11	0.870	0.823	0.835	0.618
	J12	0.846			
	J13	0.828			
	J14	0.856			
Psychological Wellbeing (Z)	AT	0.705	0.848	0.856	0.709
	PG	0.732			
	EM	0.786			
	LP	0.796			
	SA	0.813			
	PR	0.765			



Employee Performance (Y)	EP1	0.762	0.878	0.880	0.763
	EP2	0.788			
	EP3	0.769			

Table 3. Discriminant Validity Test

Constructs	Job Insecurity	Psychological Wellbeing	Employee Performance
Job Insecurity	0.775		
Psychological Wellbeing	0.747	0.842	
Employee Performance	0.752	0.801	0.856

The structural model

The second section to *structural model test*, I PLS-SEM suggests evaluating the R2 coefficient, which is also called the coefficient of determination. In the structural equation model, Q2 values larger than zero for a specific reflective endogenous latent variable indicate the path model's predictive relevance for a particular dependent construct. Table 4 indicates the value of R square is 0.931. This proposes that job insecurity, psychological well-being define 93,1% of the variance in employee performance. The predictive relevance is 95,96%, which indicates that very good.

Table 4. The structural model test

	Result
Coefficient of determination	0.931/ R square
Predictive Relevance	0.959

Table 5. Path coefficients

Relationship	Beta	p-value	t-value
Job Insecurity (X) → Employee Performance (Y)	0.213	0.033	2.024
Job Insecurity (X) → Psychological Wellbeing (Z)	-0.421	0.001	2.722
Psychological Wellbeing (Z) → Employee Performance (Y)	-0.253	0.004	2.939

DISCUSSION

The current study confirms that the influence of job insecurity on employee performance is positively significant ($\beta = 0.613$, $p=0.033$). This result is consistent with the study by ²³. The influence of job insecurity on psychological wellbeing is negatively significant $\beta = -0.421$, $p=0.001$). It is related to the previous study.²⁴ The influence of psychological wellbeing on employee performance is negatively significant ($\beta = -0.253$, $p=0.004$). It is related to the previous study.²⁵

The influence of job insecurity on employee performance is positively significant. Employee views job insecurity as a challenge stressor. The reactions to the threat of job loss trigger productive behaviors. Specifically, in a difficult situation, this perception is



more likely to lead to performance. In the case of job insecurity, employees may see that their contributions help the organization succeed, which indirectly enhances the security of their job. The supply labor market of blue-collar workers has numerous numbers in hospitality industries in Indonesia. Unemployment is more of a burden and problematic to the blue-collar workers.²⁶ They must be productive to stay in the labor market. Another result of the study state that the influence of job insecurity on psychological wellbeing is negatively significant. It is consistent with the previous study that job insecurity is a threat to the employee, and it often leads to the employees' poor wellbeing.⁵ The results show that employees working after a pandemic are more prone to develop mental health.²⁷ More ever, decreasing psychological wellbeing leads to negative effects. Job insecurity may trigger differing reactions. It is a hindrance stressor, this study shows that it evokes negative affective and psychological reactions. Job security is linked with unemployment which further impairs employees' health and their wellbeing. The influence of psychological wellbeing on employee performance is negatively significant. The result indicates that employee has a low level of sense of well-being at work. Their work focus will be reduced, thereby reducing job performance.

Practical implications

The practical implications that this study will help the employer in understanding the importance of employees' psychological well-being for work-related attitudes and behavior. Organizations should try to avoid layoffs and improve employees' mental health and help them to manage their perceptions positively. Job insecurity is one of the most substantial hindrance stressors that deplete employees' energies and resources, thus progressively undermining employees' wellbeing. It is reduced the ability to perform properly at work.

Study Limitations and Directions for Future Research

There are several limitations to this study. First, the sample was limited to blue-collar workers in hospitality industries in Indonesia; thus, the generalizability of our findings to other industries or sectors is yet to be established. Future research should test our research model in various industries and cultures. Second, we measured our research variables by using a self-report survey at a single point in time. However, future research may rely on supervisors rating employees' job performance or collecting data at different time points to avoid the threat of such bias. A final limitation, the main weakness comes from employing a cross-sectional design, future studies could replicate the model using a longitudinal research design with different measurement time points.

CONCLUSION

Mental health is a crucial factor to performance employee to contribution organizational performance. Job insecurity is a hindrance and challenge stressor. This study examines job insecurity as a challenge stressor to performance. Specifically, challenge stressors are work-related demands that may create high-performance opportunities if one can overcome the difficult situation they present. Employee leads to active coping strategies (e.g., on-task effort), which may yield positive outcomes in terms of performance.²⁸ In the case of job insecurity, employees may see that their contributions help the organization succeed, which indirectly enhances the security of their job. Furthermore, job insecurity is a hindrance stressor to psychological wellbeing. It leads to passive coping strategies that deplete employees' energies and resources, thus progressively undermining employees' wellbeing.

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