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# The Effect of Job Insecurity on Organizational Commitment in Impermanent Temporary Employees of an Indonesian Company

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*Most companies, either large or small, now employ more impermanent temporary employees, than full-time (permanent) employees. Impermanent temporary employees usually bear the same workload as regular employees or even more. However, in terms of salaries or other facilities, it is completely different for temporary employees, so they tend to feel less comfortable at work. One of the problems that arise from the inconvenience is the lack of commitment of temporary employees to the organization. This study aims to discover the effect of job insecurity on organizational commitment of impermanent temporary employees from Anggrek and Cempaka units in PT Royal Korindah. Purbalingga. Variables used in this research are: 'job insecurity' as the independent variable and 'organizational commitment' as the dependent variable. This study involves 82 temporary impermanent employees of the units examined. The results of data analysis indicate that there is a effect of job insecurity toward organizational commitment of the temporary employees of Anggrek and Cempaka units in PT Royal Korindah Purbalingga. The results also showed that job insecurity affected to 38.5% of the organizational commitment, whereas other factors influenced organizational commitment in a proportion of 61.5%.*

**Keywords:** Job Insecurity, Organizational Commitment, Impermanent Employees, Temporary Employees

**JEL Classification:** J20, J63, M51

## 1. Introduction

A business will be more advanced if it applies better management practices so that the business can run more consistently and develop even more. In a company, there are many things to be managed not only assets, such as cash flow, machinery, or other equipment needed in producing an item, but also non-material assets, such as human resources. According to experts, human resources represent the most important element compared to other elements in the company.

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In a company, the focus of the production is not just about the profits, but also the attention to the manpower or employees who help the company achieve its goals. The company evolves not only because of the large capital or the financial result of many production factors but also because of the human resources factors who facilitate the production of goods or services.

Different employment statuses result in different rights and obligations under each employment status. A temporary employee is a seconded employee to complete the company's routine jobs and there is no continuity of his working life. Contract employees have relatively shorter working periods and are less likely to be rehired by the company, than regular employees. In addition, impermanent employees also receive salaries below the average salary of regular employees (Booth et al., 2002; Mahaputra et al., 2013). Impermanent employees are also not entitled to employment period allowance, severance pay, and money refunds when his employment time expires.

The phenomenon of impermanent employees in Indonesia itself has been going on for quite a long time, either practiced by local or foreign companies, private or government-owned companies. In fact, most companies, both large and small, now employ more impermanent employees than permanent employees. As part of the world capitalist economic system, the phenomenon of impermanent workers known as outsourcing is increasingly chosen as an alternative to get cheaper, faster, and less-risked employees.

Usually a person listed as impermanent employee bears the same workload as a permanent one, but in terms of salaries or other facilities, it is a case of inequality and this provides many benefits for the company in terms of productivity for example, including the absence of clear severance terms if the company no longer uses the service of contracted labors. Many companies that facilitate outsourcing see this opportunity so companies that need impermanent employees can just hire according to the desired qualifications. However, the problems caused by this contract-based system seems to be endless. The problems may vary from unilateral layoffs, the absence of adequate severance pay, and moreover the absence of legal protection for impermanent employees who will claim their rights in court.

The number of problems that arise in the workplace, especially dealing with the manpower or employees, is a challenge for all the concerned parties. Employees are a very valuable company assets that must be managed well by the company in order to contribute optimally. One of the problems that can arise is the lack of commitment of employees to the organization in the work. Any work can lead to both positive and negative reactions. Not only on what kind of work is charged, but also on the status of the worker in his work.

Mowday et al. (1979) define organizational commitment as identification, job involvement, and loyalty expressed by an employee to his organization (Sianturi, 2011). Organizational commitment means more than just formal membership, because it includes the attitude of loving the organization and willingness to seek high levels of effort for the interests of the organization including loyalty to the organization, involvement in work, and identification of organizational values and goals.

The organizational commitment strategy seeks to create a situation that generates a sense of belonging to each employee to the company where the employee is working. All of the positive impacts that come as a consequence of those employees who have a high organizational commitment level to the organization will be very useful for the company because without strong organizational commitment in the individual, there will not be possible for an organization to run maximally. If employees have a high commitment, then the company or organization will get a positive impact such as increased production, quality of work and job satisfaction and decreased levels of tardiness, absence, and turn over (Mathie and Zajac, 1990; Ermawan, 2007).

Boshoff and Mels (1995) mention that committed employees are believed to dedicate their time, energy, and greater talent to the organization, compared to employees who are not committed to the organization. Similarly, Whitener (2001) conducted and analyzed a survey of 7,500 workers in the United States. The results of the study found that firms with high commitment employees for the organization got better results in the category "3 - years total return to shareholder (total company profit in 3 years)" (112%), compared to firms with employees who expressed a low commitment to the organization (76%) (Whitener, 2001; Suyasa and Coawanta, 2004).

Therefore, the commitment of the employees for the organization or company should be maximized, meaning the company should try to fulfill the rights of employees so that employees have a loyal attitude and a high commitment for the company, because the employee's commitment to the organization is the key towards improving the quality of work and achieving the goals organization. With a high commitment to employees, organizations or companies expect that employees can be more loyal to the organization, employees keep the organization secrets, employees will work best for the benefit of the organization and always motivated and willing to make more sacrifices for the organization's success and have the spirit to move forward with the organization (Ermawan, 2007).

Commitment for the organization is necessary, but in reality not all employees can show their commitment to the organization, especially in Indonesia. According to Suyasa and Coawanta (2014), in the report "Work Asia 2004/2005", it is said that the commitment of Indonesian employees to the company is lower than those in other Asian countries. The sample of the study was represented by 8,000 respondents from 46 companies in Indonesia, with a total of 115,000 respondents from 515 companies in 10 Asian countries (Suyasa and Coawanta, 2014).

Baranduan (2011) survey results conducted by ESRC Center for Business Research conducted on 300 employees showed more than 44% of respondents feel that they only slightly trust the company where they work. Most of these employees feel that the organization is not on the same side as them.

Interviews conducted by researchers with impermanent employees of Royal Korindah Co Ltd., especially in the production section of Anggrek and Cempaka units, showed that some employees lacked a sense of ownership of the company. Often, employees who do not go to work include a letter of excuse from the doctor so that their absence is not counted as absence from work though actually they are not really sick. Then the results of interviews with temporary employees who are hired simultaneously showed that some employees feel there is no reciprocity from the company for their performance. Usually, they work in various shifts for a long time but the status of work is not clear whether he will be appointed or not as a permanent or regular employee so that in the long run in the work he admitted do not do it maximally, only fulfilling the target instead of making effort to surpass the target.

Based on the results of introductory observation conducted, researchers also found other problems where many employees come to work late. Then there was also information from one of the personnel staff of PT Royal Korindah Purbalingga that many employees who are mainly male employees do not go to work after receiving their salary.

Psychological research results show that trust is the key to maintaining a sense of security from employees. Research conducted by Roskies and Guerin (1990) and Greenglass et al. (2002) concluded that the decline in working conditions such as insecurity in work will affect employees more than just losing jobs. These conditions also lead to the emergence of negative emotions, decreased psychological conditions and will affect employees' commitment to work (Baranduan, 2011).

Allen and Meyer (1997) formulate a definition of commitment in organizing as a psychological construct that is the characteristic of the relationship of organizational members with their organization and has implication for individual decision to continue his membership in organizing. Based on that definition, members who are committed to their organization will be more able to survive as part of the organization than members who are not committed to the organization.

Marchington et al. (2008) mention five factors that affect the organizational commitment: The physical condition of the work environment, the feeling or desire to work for a good leader or company, wage payments, rewards or opportunities in work, a sense of security in work, With the emergence of job insecurity conditions perceived by employees (Kurniawan, 2006).

According to Ashford et al. (1989) the impact of job insecurity are low organizational commitment, job satisfaction, low organizational trust. Research conducted by Greenhalgh and Rosenblatt (2010; 1984) and Baranduan (2011) tried to examine the effects of job insecurity on work commitment and work behavior. The results that states that employees who can go through the stage of this sense of insecurity, showing a declining work commitment from time to time which means that the existence of job insecurity in employees also affect employees in the work or performance like being unmotivated to work. De Witte (2005) stated that job insecurity is the employee's perception of the threat of loss or job sustainability and concerns related to the threat. Employees who feel less able to control the situation in the work and less able to predict the situation to be faced, because the ambiguity of the situation, can perceive the existence of job insecurity (Ashord et al., 1989; Mahaputra et al., 2013).

Joelsen and Wahlquist (1987) suggest that job insecurity is an individual understanding of workers as the first stage in the process of job loss (Wijaya, 2010). In fact, the population with job insecurity is always in greater numbers than workers who actually lose their jobs. It also discloses that vulnerable workers experience job insecurity, for example, those who are in danger of losing a job, a freelancer (a service worker who is not tied to an organization) and impermanent employees, new employees who are on probation, and employees of the secondary labor market (Minority ethnic groups, disabled workers, seasonal workers and employees coming from contract provider providers).

Job insecurity level of an employee can be known from job insecurity aspect condition. Hellegren et al. (1999) distinguishes aspects of the dimensions of job insecurity into two, namely aspects of quantitative and qualitative. Quantitative aspects of job insecurity are worries about job loss. The qualitative aspect

concerns employees' perceived concerns about the potential loss of job features that are considered important to an employee.

Ruvio and Rosenblatt (1999) then clarify those three dimensions (Novliadi, 2009). First, the feeling of being threatened on the total work of a person, for example someone moved to a lower position in the organization, transferred to another job with the same level in the organization or temporarily dismissed. On the other hand a job loss may either happen permanently or someone may be fired or forced to retire too early. Second, the feeling of being threatened against the work performance. For example, organizational change may cause a person to have difficulty making progress in the organization, retaining salaries or increasing revenues. This may affect the position of a person in the company, the freedom to organize work, job performance, and job significance. Threats to the work display may also play a role in the difficulty of accessing previously ready-to-use resources. Third, job insecurity may play a role in a person's feeling for lack of control or inability to control events in his workplace, simply a feeling of being helpless (Ruvio and Rosenblatt, 1999).

Job insecurity is the psychological condition of an employee who feels threatened or worried about the continuity of his work in the future due to the changing environmental conditions. This condition arises because of the many types of work that are impermanent or contract work. The increasing number of jobs with impermanent or non-permanent duration leads to an increasing number of employees experiencing job insecurity (Smithson and Lewis, 2000; Kurniasari, 2005). Nopiando (2012) states job insecurity as the emergence of fear or anxiety in relation to subjective perceptions related to the possibility of future job losses. While Burchell et al. (2002) define job insecurity as a subjective feeling towards the risk of losing a job as an expression of the worker himself.

Within the limits of job insecurity, pressures can still be tolerated, but if it exceeds the limits of one's endurance it will result in the physiological destruction, psychological distortions and inharmonic condition among the people involved in the organization (Ermawan, 2007) with the various changes that occur within the organization, employees are likely to feel threatened, anxious, and insecure because of the potential changes to affect the conditions of work and the continuity of relationships and remuneration it receives from the organization. These circumstances can lead to job insecurity conditions or work inconvenience felt by employees in carrying out the work.

Based on interviews conducted on temporary employees of Royal Korindah from Anggrek and Cempaka units, some employees say they are worried about their unclear work status whether they will be contracted, appointed as permanent employees or removed and have the contract from the beginning as the first time they work, moreover they both have worked for about two years and there is a little chance for job promotion in this small company. Employees are worried if later they are losing jobs and become unemployed especially at PT Royal Korindah Purbalingga as there is a job vacancy and the company accepts new employees to be employed almost every day.

In addition, employees are also housed a month before the contract runs out or the term there is a cut off. If the contract is advanced, the laid-off employee will be contacted to work again but will have to start the contract again, from the beginning by submitting, an application letter. The following table presents the research basis data of cut off employees from Anggrek and Cempaka units Royal Korindah Purbalingga.

**Table 1.** Data of Cut Off Employees from Anggrek and Cempaka PT. Royal Korindah Purbalingga

Year	Month	Employees Cut Off		Total
		Anggrek	Cempaka	
2014	August	3	5	8
	September	32	18	50
	October	23	26	49
	November	12	24	36
	December	2	2	4
2015	January	7	3	10
	February	4	3	7
	March	20	27	47
	April	14	17	31
	May	0	2	2
	June	6	11	17
	July	9	4	13

Then strict supervision by the coordinator and limited space during work makes the employee feel uncomfortable because the employees sit continuously doing his work during working hours and can only leave the place to go to the bathroom or break time.

Based on interviews conducted, the results showed that the condition of work space in production in Anggrek and Cempaka unit in Royal Korindah Purbalingga is less qualified, such as less air ventilation room and roof of "zinc" so that employees at work feel less comfortable because the air is too hot even though there is an indoor fan. In addition to feeling uncomfortable, the room is also very noisy and the workplace situation can cause job insecurity and that furtherly affect the employees while doing their job, because employees feel less attention by the company about the right of employees in obtaining the comfort of the work space.

## **2. Literature Review**

The situation of increasing unemployment and increasing job insecurity have a contradictory impact on employees' commitment to their organization. On the one hand, a decrease in satisfaction that goes hand in hand with work unrest tends to make people less motivated and committed. On the other hand, the fact that people actually have jobs means that this work becomes more important and more valuable, which can increase the organization's commitment.

Some of the results of previous study (Baranduan, 2011) found the effect of job insecurity to employees, including: increasing dissatisfaction in work (Ashford et al., 1989), increasing psychological disorders, employees tend to withdraw from the environment (Ashford et al., 1989), an increasing number of employer turnover (Ashford et al., 1989).

According to Roskies and Louise Guerin (1990), the deterioration of working conditions such as insecurity decreases the quality of the individual, especially his work, it will also lead to the emergence of demotion which ultimately lowers the psychological condition of the employee. The long run will show dissatisfaction in work and will lead to a desire to move. Job insecurity also affects work commitment and work behavior. Studies conducted by Greenglass et al. (2002) show that individuals who can go through the critical stages of insecurity will further decrease their commitment.

Previous research has shown that job security involves a reduction in concerns of losing one's job (Berglund et al., 2014). Labor security emerges as a coping mechanism in situations of labor unrest (De Cuyper et al, 2008). Lee and Jeong's (2017) study is consistent with previous research result found that job insecurity diminished the Organizational Commitment, which in turn reinforced the intention to move to a new company.

## **3. Research Methodology**

Variables used in this research are job insecurity as independent variable and organizational commitment as dependent variable. Population in this research is impermanent employees from production section of Anggrek and Cempaka units at Royal Korindah Purbalingga with 235 employees. The sample in this study is 82 people, 35%, taken from the total 235 impermanent employees. Simple random method is used in this research by the selection of random samples by mixing subjects in the same population.

Job insecurity scales and organizational commitment scales are used to collect the data. The job insecurity scale is structured based on three aspects: feelings threatened on total work, related to mutations, demotions, temporary fire, and permanent job loss. Feelings threatened against the appearance of work, relating to promotional difficulties, company policies and regulations, freedom of employment, job performance, and sustaining or increasing revenue. Powerlessness means that employees are not able to control events in their working environment such as poor working environment conditions and relationships with co-workers, superiors or subordinates.

The scale of organizational commitment is based on three dimensions of organizational commitment, namely affective commitment, related to the emotional relationship of members to their organization, identification and involvement of members with activities in the organization. Continuance commitment is related to the awareness of members of the organization who may lose for leaving the organization. Normative commitment describes the feeling of belonging to continue to be in the organization. Reliability coefficient for job insecurity scale obtained  $r_{\text{count}}$  equal to 0,910 and reliability coefficient for organization commitment scale obtained  $r_{\text{count}}$  equal to 0,924.

Subjects are asked to choose the degree of agreement and disagreement for each statement. There are 4 alternative answers, which are very suitable (SS), appropriate (S), inappropriate (TS), and highly inappropriate (STS). Scores of this scale move from 4 to 1 for a favorable item and move from 1 to 4 for unfavorable item. Simple linear regression is used ad the data analysis technique.

#### 4. Results and Discussion

Description of research data provides information about the condition of the research subjects on the variables studied. Based on the analysis of statistical data, we obtained the following data distribution frequency of each job insecurity score as follows:

**Table 2.** *Frequency Distribution of Job Insecurity Score*

Range	Category	Frequency	Percentage
$X > 141.09$	Very High	2	2.44
$126.38 \leq X \leq 141.09$	High	19	23.17
$111.67 \leq X < 126.38$	Medium	35	42.68
$96.96 \leq X < 111.67$	Low	25	30.49
$X < 96.96$	Very Low	1	1.22
<b>Total</b>		<b>82</b>	<b>100</b>

From the previous table (Table 2), it can be noted that the percentage of respondents' answers who have very high job insecurity is 2.44% (2 employees), 23.17% (19 employees) who have high job insecurity, 42.68% (35 employees), 30.49% (25 employees) with low job insecurity, and 1.22% (1 employee) who has very low job insecurity. While the frequency distribution data of each score of organizational commitment is as follows:

**Table 3.** *Distribution of Frequency of Organizational Commitment Score*

Range	Category	Frequency	Percentage
$X > 149.69$	Very high	1	1.22
$133.82 \leq X \leq 149.69$	high	24	29.27
$117.94 \leq X < 133.82$	Medium	13	15.85
$102.07 \leq X < 117.94$	Low	39	47.56
$X < 102.07$	Very low	5	6.10
<b>Total</b>		<b>82</b>	<b>100</b>

From table 3, it can be observed that the percentage of respondents who have a very high organizational commitment is 1.22% (1 employee), 29.27% (24 employees) have high organizational commitment, 15.85% (13 employees) has a moderate organizational commitment, 47.56% (employees) have low organizational commitment, 6.10% (employees) have very low organizational commitment.

From the description above, we can see that employees' job insecurity who are in the high category represent 21 people of the total sample. Characteristics of individuals experiencing high job insecurity are lacking in their ability to survive the pressures and are lacking optimism (Greenhalgh and Rosenblatt, 2010; Ermawan, 2007), are less able to control the situation in jobs such as changes in the company, and are less able to predict the situation to be faced (Ashord et al., 1989; Mahaputra et al, 2013).

Characteristics of individuals who experience high job insecurity, as described above, are in accordance with the behavior of employees who experience high job insecurity and appear in the office, the employees are feeling worried about their work less, have a clear status whether the contract will be continued, whether or not they will be appointed as permanent employees, starting doing contracts again. Employees are worried that if they lose this job, they will become unemployed, especially in PT Royal Korindah Purbalingga. Almost every day there is a job application and new employees. The existence of new job applicants will certainly hinder the performance of employees because they feel threatened by their temporary status.

Then strict supervision by the coordinator and limited space make the employee feel uncomfortable because the employees sit continuously doing his work during working hours and can only briefly leave the place. The situation of the workplace is uncomfortable for the employees, affecting employees while doing their job, because employees get less attention about the rights of employees in obtaining the comfort of their work space.

While it is seen that there are 44 people who have low category of commitment of employee organizations. The characteristics of individuals who have low organizational commitment are having less commitment to the company and are not proud to be part of the company (Teresia and Suyasa, 2008), have lack of trust in the company, and feel that the company does not support them (Baranduan, 2011).

Characteristics of individuals who have low organizational commitment as described above, are indicated by the employees who claim that they are relaxed in the workplace because their permanent work status is not important to them because they claim there are many other companies that will accept and hire

them. In addition, employees feel there is no reciprocity from the company for their performance. Many people have already worked for long periods of time with a lot of workload without clear status, whether they will be appointed as permanent employees or not.

Based on regression analysis result, the  $t\_count$  value is equal to - 7.071 with  $p(0,000) < 0,05$ . This result indicates that there is a significant effect between job insecurity and organizational commitment on temporary employees of Anggrek and Cempaka units in Royal Korindah Purbalingga. The magnitude of the influence of job insecurity on organizational commitment shown is based on the coefficient of determination (R square) of 0.385. This figure shows that in this research, job insecurity affected 38,5% of the organizational commitment, while the rest, of 61,5%, is affected by factors other than job insecurity factor.

The effect of job insecurity (X) on organizational commitment (Y) is also shown by the equation:

$$Y = 203.950 + (-0.656) X$$

That is, if the 'job insecurity' variable is 0, then the 'organizational commitment' level is -0.656 and each addition unit of 'job insecurity' variable will decrease the organizational commitment by 0.656.

The results are in accordance with those proposed by Marchington et al. (2008) and Kurniawan (2006), namely that the main factor that affects the organization's commitment is a sense of security in work, in this case related to the emergence of job insecurity conditions perceived by employees. Ashford et al. (1989) and Baranduan (2011) state that one of the effects of job is the decreasing organizational commitment. Job insecurity also affects work commitment and work behavior. The statement is reinforced by studies conducted by Greenglass et al. (2002) and Baranduan (2011) that show individuals who experience critical stages of insecurity will report lower levels of commitment.

It cannot be denied that the company succeeds not only because of large capital inflows or the result of many factors of production, but also because of the factors related to quality human resources who produce goods or services. Employees are a very valuable company asset that must be managed well by the company in order for them to contribute optimally.

If the temporary employees show symptoms of job insecurity, of course, this will affect employees in the workplace or their performance, such as being lazy to work or less motivation in work (Baranduan, 2011). In addition, high job insecurity leads to a low commitment for the organization. Without a strong organizational commitment in employee, it will not be possible for an organization to run at strong levels of performance. If employees have a high commitment, then the company or organization will get a positive impact such as increased production, quality of work and job satisfaction and decreased levels of delay, absence, and turnover (Mathie and Zajac, 1990; Ermawan, 2007).

The result that stated that organizational commitment of 61.5% is affected by other factors, except job insecurity, is supported by Marchington et al. (2008), who mention that organizational commitment is also related to the existence of job insecurity conditions perceived by employees. However, there are still other factors affecting organization's commitment, namely physical conditions of the work environment, the feeling or desire to work for a good company, salary payment, and rewards or opportunities at work.

The results of this study indicate that low job insecurity will increase organizational commitment. A high organizational commitment on impermanent employees creates a good morale and work productivity because of a strong sense of belonging to a company that will have a positive impact on the company's progress.

## **5. Conclusion**

Based on the results of research and discussion about the effect of job insecurity of organizational commitment of temporary employees of Anggrek and Cempaka units in Royal Korindah Co Ltd. Purbalingga, it can be concluded that there is an effect of job insecurity toward organizational commitment. The effect that occurs in this relationship is negative and indirect, namely temporary employees who experience high job insecurity will have a low organizational commitment, and vice versa, if the job insecurity experienced by temporary employees is lower, then their commitment is higher. The effect of job insecurity on organizational commitment is 38.5%, and 61.5% of the effect comes from other influencing factors (unobserved factors).

### **5.1. Limitations and Further Research Directions**

Limitations of this study refer to the fact that the researchers conducted the present research in one organization and in a limited number of production units for the company. Therefore, it does not have a clear perspective on the different environments and cultures throughout the organization.

Based on these limitations, the researchers recommend further research covering various companies and workers other than the production units. The effective contribution of job insecurity to organizational

commitment is 38.5% and there are still 61.5% other factors affecting organizational commitment. For further research it is desirable to examine other factors such as work environment, feeling or desire to work for a leader company, wage payments, and rewards or job opportunities.

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