Mediating Role of Perception of Job Insecurity on the Relationship between Psychological Contract Breach and Work Engagement

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Abstract: - This paper attempts to examine the effects of psychological contract breach (PCB) on work engagement (WE) of employees. Unfortunately, Pakistan has the lowest work engagement rate (WE) i.e. 5 percent as compared to South East Asian countries (Indonesia, Thailand, Philippine, Singapore and Malaysia); Oceania countries (Austria and Newzeland) and South Asian countries (Sri Lanka, Nepal, India, Afghanistan, Kazakhstan and Kyrgyzstan) (Gallup, 2017). It is one of the few studies that has taken job insecurity as a mediator in the given relationship. Specifically, we perceive that job insecurity reveals through an interactive process in which negative perceptions, such as PCB make employees feel less valued in their workplace. The mediation model explained that exposure to breach lowers the work engagement of employees because of their high level of perceived job insecurity in the perspective of conservation of resource theory (COR). Breach and engagement relationship would not be recognized without variable, job insecurity, by this means proposing its indirect effect. Though work engagement is a widely researched topic but it is somehow ignored in the perspective of conservation of resource theory. By introducing the proposed model, the study attempts to address the research gap.

Keywords: - psychological contract breach, job insecurity, work engagement, conservation of resource theory (COR)

1. Introduction

In this hyper turbulent and competitive environment, human resource has become a vital part for the success of any organization. Because of global, economic and political changes, the way of psychological contracts is varying also (Millward & Brewerton, 2000) as a powerful factor of organizational behavior (Bal & Kooij, 2011). Zhao et al. (2007) highlighted insufficiencies in PCB literature while Parzefall and Hakanen (2010) highlighted the need to find the effects of PCB on critical behaviors of employees that impact their work outcomes. Moreover, most of the previous research on PCB has been conducted in the Western countries (Restubog & Bordia, 2006; Hui et al., 2004) with individualistic culture and lower power distance (Hofstede, 1984). Pakistani culture is collectivistic and such cultures highlights unconditional kindness (Leung, 2001) and smoothness (Restubog & Bordia, 2006) in exchange relationships. In developing countries (like Pakistan), employment relationships are also profoundly grounded on community sharing and interpersonal relationships (Hofstede, 1980). This research will be more fruitful for a developing and under research country like Pakistan (Aycan et al., 2000).

Moreover, as organizations are wrestling with the challenges due to intense competition, workers are antagonized of anticipated or actual job loss that lead them feeling of insecurity in their work life in future (Holm & Hovland, 1999). Lee et al. (2006) as well as Sverke and Hellgren, (2002) highlighted that job security has become a worldwide organizational issue as in today’s dynamic organizational environment, where short term and temporary employment contracts are at rise. Not surprisingly, all promised aspects of employee and employer relationship cannot be written formally. So, as a result of these psychological contracts, employer obtain and retain satisfied, committed and dedicated employees. An ultimate function of the
psychological contract is to reduce insecurity related to job (Shore & Tetrick, 1994).

2. Literature Reviewed

2.1 Psychological Contract Breach

Morrison and Robinson (1997) defined Psychological Contract Breach (PCB) as “cognition that one’s organization has failed to meet one or more obligations within one’s psychological contract in a manner equal with one’s contributions”. When organizations fail to perform according to employee’s expectation, employees perceive a breach of contract (Robinson & Morisson, 2000). Opposing to formal and legal contracts, psychological contracts are subjective in nature, taken differently by different employees (Suazo, Martínez, & Sandoval, 2009). According to Kickul and Lester (2001), PCB has many serious consequences and result in workplace deviance that vary from person to person among different cultures (Thomas et al., 2003). As stated by Muhammad Awan, Shahzad Bukhari, and Iqbal (2011), employees learn about organizations obligations towards their efforts from work procedures and organizational environment. Literature shows two facets of PCB: Psychological contract breach (PCB): “Employees’ perceptions regarding the degree to which their employers have been failed to meet their promises or obligations” (Robinson & Rousseau 1994). Psychological contract violation (PCV) “Employees’ emotional or affective actions in response to breach cognition” (Morrison & Robinson, 1997). Breach is the cognitive assessment of a person about a state (Morrison & Robinson, 1997), while PCV is affective and emotional state of a person result from that cognitive breach. Unsurprisingly, PCB has negative consequences in a wide spectrum for both employees and organizations. It is more likely that employees see themselves in a state of inequity in PCB. As a response employees restore equity, alter their behaviors and display decrease in organizational commitment (Raja et al., 2004; Coyle-Shapiro & Kessler, 2000); OCB (Coyle-Shapiro & Kessler, 2000); well-being and health of employees (Gakovic & Tetrick, 2003; Johnson & O’LearyKelly, 2003); job satisfaction (Raja, et al., 2004; Robinson & Rousseau, 1994); innovativeness; (Ramamoorthy, Flood, Slattery, & Sardessai, 2005); dedication (Raja et al., 2004); work engagement (Parzefall & Hakanen, 2010; Bal, Cooman, & Mol, 2013), while increase in frustration (Raja et al., 2004) and turnover intentions (Tekleab et al., 2005; Robinson & Rousseau, 1994).

2.2 Perception of Job Insecurity

According to Hui and Lee (2000), job insecurity is the perception of employees about uncertainty in future and involuntary major change in job from employing organization. Later, Sverke et al. (2002) and Cheng and Chan (2008) have also observed job insecurity as higher level of threat and uncertainty about job. In literature, job insecurity has been defined as a stressor having undesirable and critical consequences for both, employer and employees. It is also linked with powerlessness (Näswall, Sverke & Hellgren, 2005; De Cuyper & De Witte, 2005). As given by Sverke and Hellgren, (2002, p. 27), employee’s perception of job insecurity doesn’t entirely mean that they will be laid off. Job insecurity means “the anticipation of this stressful event in such a way that the nature and continued existence of one’s job are perceived to be at risk”. Klandermans, van Vuuren, and Jacobson (1991, p. 44), stated that job insecurity is one of the most significant job stressors “it influences a much broader range of feelings, attitudes and behaviors than those related simply to performance”. Two aspects of uncertainty are centered to job insecurity phenomenon: Unpredictability “lack of clarity about the future and favorable behavior that an employee should adopt in unpredictable situations” (De Witte, 1999). When the possibility of job continuity is uncertain to employees, it becomes hard for them to predict the future and to choose the suitable response accordingly. The employees may also sense them powerless in such situations to control this prospective threat. Powerlessness or uncontrollability is central to the job insecurity phenomenon and it involves, “inability of employees to respond the risk of job discontinuity” (Ashford et al., 1989). Employees with perception of job insecurity are inclined to react negatively to job satisfaction.
Riffat Jabeen et al. / Mediating Role of Perception of Job Insecurity on the Relationship between Psychological Contract Breach and Work Engagement

Job insecurity, as a violation of the psychological contract by the employer, is negatively linked to job satisfaction, trust and organizational commitment (Sverke, Hellgren, & Näswall, 2002; Coyle-Shapiro & Kessler, 2000; Ng, Feldman, & Lam, 2010); innovative behavior (Bocchino, Hartman, & Foley, 2003; Turnley & Feldman, 2000); citizenship behavior and performance (Zahra et al., 2007) in the previous stream of research. Previous studies also have investigated that psychological contract breach vary among different individuals. It originates from a logical process, so as some individuals experience more breach than others (Silla et al., 2009). Abbas and Raja (2014) stated that in Pakistan work environment is highly stressful and different from western countries. According to Malik and Khalid (2016) along with mergers and acquisitions, Pakistani banking sector is fronting several challenges. These challenges are creating problems of job uncertainty, quality of work environment and job security in the country. So, the need of the time is to re-evaluate the exchange relationship of employees (psychological contract) in this sector (Malik & Kahalid, 2016).

Proposition: 1 Psychological Contract Breach increases the perception of job insecurity in individuals.

2.4 Work Engagement

The notion of a 'war for talent' gives way to a quest for employees' discretionary effort. “Employee contribution becomes a critical business issue because in trying to produce more output with less employee input companies have no choice but to try to engage not only the body but also the mind and the soul of every employee” (David Ulrich, 1997). Moreover, in this competitive and hyper turbulent environment, disengaged workforce is costly for any organization. For the first time in 1990, engagement was entered in the academic wordlist by social psychological work of Khan. Work or Job Engagement: “A positive, fulfilling work related state of mind that is characterized by vigor, dedication and absorption” (Schaufeli, Salanova, González-Roma, & Bakker, 2002, p. 74). Schaufeli et al. (2002) used the term “work engagement” instead of “personal engagement”. Later, Schaufeli, and Bakker (2004) defined work engagement as “the degree of cognitive, physical and emotional connection of employees to their work roles”. Components of Work Engagement given by Schaufeli et al. (2002) are: Vigor: denotes mental resilience, great level of energy, the readiness to capitalize effort, determination, motivation and commitment to put time and effort in work. Dedication: an experience of involvement, pride, significance, challenge, enthusiasm, inspiration and meaningful pursuit at work. Absorption: being focused and engrossed in work happily, feel difficult to detach him/ herself from work and at work time
passes speedily for employees (Bakker, Schaufeli, Leiter, & Taris, 2008). Engagement affects the service quality of workers in any organization. Customers get poor quality of services when employees who are serving them are disengaged (Brim & Asplund, 2009). So, Bakker et al. (2008) as well as Nair and Salleh (2015) recommended that focus on WE may not only be advantageous for employees but also help organizations to gain a competitive advantage in this world of competition. Adequate rewards and recognition from supervisors (Laschinger & Finegan, 2005); supervisor support (Bakker & Demerouti, 2007); personal initiative and innovation (Hakanen, Perhoniemi, & Toppen Tammer, 2008); passion about work motivation (May, Gilson, & Harter, 2004); performance at job (Bakker & Bal, 2010; Halbesleben & Wheeler, 2008), monetary benefits (Xanthopoulou et al., 2009); satisfaction of clients (Salanova, Agut, & Peiro, 2005); work life balance, meaningful work (Neil Chalofsky, & Vijay Kumar, 2009) and creativity (Bakker & Demerouti, 2008) are positively related to engagement. Previous research shows that engaged and committed workforce can lead to numerous advantageous results for an organization e.g. lower turnover intentions (Allen et al., 2003) more balance in employees lives and work (CIPD, 2006), and increase in organizational performance (Whitman et al., 2010; Harrison et al., 2006; Harter, Schmidt, & Hayes, 2002).

2.5 Relationship between Perception of Job Insecurity and Work Engagement

Job insecurity is considered as a common workplace phenomenon (Huang, Zhao, Niu, Ashford & Lee, 2013). As it can occur independent of any specific crisis situation (Sverke & Hellgren, 2002). According to Jordan, Ashkanasy and Hartel (2002), employees feel negative emotional reactions and stress in the situations when employing organizations become unsuccessful to provide secure jobs to them and ultimately this stress and negative emotions affect their work efforts. As Cheng and Chan (2008) found that job insecurity negatively affect employees’ trust, involvement, job satisfaction, organizational commitment and health. Previously, different researchers have found the negative relationship between job insecurity and job performance. Cheng and Chan (2008) as well as Gilboa, Shirom, Fried and Cooper (2008) in meta-analyses found significant negative relationship between job insecurity and performance. Sverke et al. (2002) found this relationship not significant. Empirical studies conducted by Loi et al. (2011) and Staufenbiel and König (2010) have found that there is no relationship between job insecurity and performance.

Generally, uncertainty causes aversive results such as anxieties in individuals. Sverke et al. (2002) found that job insecurity is the result of objective threats through cognitive processes of individuals. Among different individuals, social environment and individual variables influence cognitive process. In past literature, researchers have revealed excessive interests to find the negative effects of work context and individual differences perception of job insecurity of individuals and its negative impact on employees’ behavioral outcomes (Greenhalgh & Rosenblatt, 2010). According to the research findings of Feng, Lu and Siu (2008), job insecurity strongly negatively affect the performance of employees who have low self-efficacy. Similarly, Job insecurity negatively affect organizational citizenship behavior (OCB) of employees (Wang, Lu, & Lu, 2014).

Work engagement is the investment of individual’s energy and resources to role performance. So as, highly engaged employees are energized to assign personal resources (like skills, time, and knowledge) to their role performance and strongly identify with their work (Demerouti & Cropanzano, 2010; Bakker & Demerouti, 2008; Fredrickson, 2001). According to Christian, Garza, & Slaughter (2011), WE is positively related to performance, both in-role and extra role.

Previously, an important stream of research has focused on finding the relationship between on job employee attitudes and employee’s perception of job insecurity. Convincingly literature depicts a link between job insecurity and unfavorable employee attitudes. Job insecurity causes lower employee satisfaction, involvement, commitment and trust
(Cheng & Chan, 2008); productivity, loyalty and trust (Sverke, Hellgren, & Näswall, 2002); decrease in organizational support (Ruvio & Rosenblatt, 1999). Whereas, it increases turnover among employees in organizations (De Cuyper, Bernhard-Oettel, Berntson, De Witte & Alarco, 2008; Smithson & Lewis, 2000; Holm & Hovland, 1999) and resistance to change (Davy et al., 1997).

According to Hallberg and Schaufeli (2006), engagement is motivation and attachment towards one’s work. For this reason, practitioners and academicians have shown great interest in this construct (Macey & Schneider, 2008). So as, researchers Stander and Rothmann (2010); Vander Elst, Baillien, De Cuyper, and De Witte (2010) as well as De Cuyper et al. (2008) reveal a statistically negative correlation between job insecurity and work engagement and between burnout and engagement (Ugwu, Onyishi & Tyoyima, 2013). Based on COR theory (Hobfoll, 1988, 1998), the study suggest that people are striving to obtain and guard their resources. Anything that a person value is termed as resource including personal characteristics, energy, object and condition. Conservation of resource theory has been mostly applied in the literature of burnout and stress (Halbesleben, 2006; Hobfoll & Freedy, 1993). In literature, COR has been used to explicate the way of investment of resources (Halbesleben & Bowler, 2007). As previously defined in literature, engagement (one’s feelings of enthusiasm and energy) is termed as state like characteristic that can be changed or molded with the passage of time. In recent literature, researchers have also used conservation of resource theory to apprehend state engagement (Gorgievski & Hobfoll, 2008). Particularly in perspective of COR theory, state engagement take place in high levels of work related resources among individuals (Schaufeli & Salanova, 2007; Bakker, Hakanen, Demerouti, & Xanthopoulou, 2007). Personal resources are personal energies and traits (involving emotional energy, physical energy and cognitive resources) of individuals that are helpful for the accomplishment of work goals (Hobfoll, 2002). Individual’s perception of job insecurity affects their work engagement as they try to conserve their resources and positive behaviors (Ng & Feldman, 2012; Halbesleben & Bowler, 2007).

Proposition 2 a: Individual’s perception of job insecurity affects employee’s vigor.

Proposition 2 b: Individual’s perception of job insecurity affects employee’s dedication.

Proposition 2 c: Individual’s perception of job insecurity affects employee’s absorption.

2.6 Mediating role of Job Insecurity on the relationship between PCB and Work Engagement

Based on conservation of resource (COR) theory (Hobfoll, 1989) and by integrating the above mentioned hypothesis of direct effects between constructs, present study proposed that job insecurity mediates the relationship of exogenous and endogenous variables of the study. According to Lazuarus and Folkman (1984), individuals go through cognitive process to deal with challenges (stresors) that they face in their work lives. To understand the fundamental psychological mechanism, this study applies COR as theoretical model in the correlation between PCB and WE via job insecurity. The study assume that the victims continually go through the assessment processes for the reason that workplace PCB recurring negative things at work place. The study on the basis of COR contends that employees with higher levels perception of job insecurity have smaller amount of residual personal resources (Hobfoll & Shirom, 2001). In previous literature, the association between contract type and perception of job insecurity is not clear (Callea et al., 2014). According to Klandermans and Van Vuuren (1999) perception of job insecurity vary among individuals. To fill this gap, the study proposes that perception of an individual person on job insecurity is amongst the cognitive mechanisms of the person for clarifying the relationship between psychological contract breach and its results. In particular, the study investigated that employees who perceived breach in contract will also perceive higher levels of job insecurity and this will in turn reduce their work engagement. COR offers a complete theoretical framework to understand perception of insecurity among
individuals. The theory suggests that perception of insecurity aroused by the likelihood of the loss of valued resources. Previous literature reported in meta-analysis on job insecurity by Syerke et al. (2002) also support this notion that job insecurity negatively affects job satisfaction. Present study also postulate that work engagement is also an important positive behavior of employees. So, job insecurity also negatively affects work engagement among workers.

Job insecurity triggers numerous negative job outcomes, such as decrease in work engagement and performance an increase in turnover intention, health problems and anxiety (Schreurs, Hetty van Emmerik, Günter, & Germeys, 2012; Huang et al., 2012; Vander Elst, Van den Broeck, De Witte, & De Cuyper, 2012; Staufenbiel & König, 2010). Same as, Baillien and De Witte (2009) also found that job insecurity fully mediates the relationship between workplace bullying and organizational change. Based on the abovementioned findings and theoretical frameworks, the study posits that PCB effect the outcome variable (work engagement) via perception of job insecurity. Amalgamating The aforementioned arguments, this study proposes the following hypothesis

**Proposition 3:** Individual’s perception of job insecurity mediates the relationship between psychological contract breach and work engagement.

**Figure 1:** Proposed theoretical framework

### 3. Proposed research methodology

The study is following hypothetic-deductive (quantitative) research approach to test the theory (Sarangi, 2010). Primary data (collected through questionnaire) will be used through purposive sampling. The study tends to opt major banks from financial institutions of Pakistan. The reasons for opting banking sector for study are that this sector is more stressful and less organized (Ruiz-Palomino et al., 2011; Wang et al., 2016) and represent modern outlook with employees having higher qualification.

### 4. Conclusion

In order to deal the issue of job insecurity, it is a pressing need to address effective strategies to support employees, so that they may continue being productive and engage in their work. Managers are also in a dire need to know, under which situations negative responses of employees about job security can be cushioned. Modern organizations expect greater efforts, more knowledge, efficient skills, innovation, flexibility and speed-to-market from employees. By examining the mediating role of perception of job insecurity in the PCB-WE link, the study tries to contribute to the mechanism through which PCB effects WE of employees. The study proposes the indirect effect of PCB employee outcomes through mediator, perception of job insecurity.

### Reference


