

Impact of job security on employee work performance In case of insurance companies in Nepal

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Abstract

This study aims to examine the job security on employee work performance of insurance companies in Nepal. To measure the impact of job security, career determination, incentives and retirement fund scheme on employee work performance of insurance companies in Nepal. Aimed at this study, all the listed insurance companies has been considered as population and 9 life out of 17 and 9 non-life out of 17 non-life insurance companies in Nepal. The data has been obtained from selected sample of life and non-life insurance companies equally. The employees (administrative staff and who look after the HR activity) and HR manager has taken as respondents for the research study. The targeted populations are the employees of the insurance companies in Nepal within the Kathmandu valley. This study has covered different level of employee from 18 insurance companies including life and non-life. The total no. of respondents considered for analysis is 172 for analyzing relationship dependent and independent with other intervening variable. 200, Five-likert scale questionnaire were distributed and collected only 172 questionnaires.

The computed *F*-statistic is also higher than table value at 99% level of significance indicating that there is a presence of relationship, as adjusted R^2 is 0.2786, it explains the variation in dependent variable is explained to the extent of 27.86 % by the independent variables included in the model. Therefore, null hypothesis is not accepted, which means that residuals are not auto correlated. There is significant and positive relationship between job security and employee work performance of insurance companies in Nepal. The coefficient of job security on employee work performance is 0.0965 meaning that one percent point change in specific training will leads changes in employee work performance by 9.65 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between job security and employee work performance of selected insurance companies in Nepal.

Key Words: Job security, Career determination, employee, work performance,

Introduction

Job security is a high level of assurance or confidence for employees to believe they're able to maintain their existing jobs in the foreseeable future. It provides a sense of protection against possible inherent or external risks that might affect or change the employment status of employees. Several factors may influence the level of job security, including the job market, terms and conditions of your employment contract, local labor laws and union guidance and support. Job security creates a climate of confidence among employees and reinforces their commitment to the insurance companies in Nepal. Its security requires a certain degree of reciprocity: first, 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, having learned that job security contributes to its performance, the company continues to invest in job security (Pfeffer 1998). Probst (2002) has developed a conceptual model of the antecedents and consequences of job security. Antecedents include worker characteristics, job characteristics, organizational change and job technology change. Consequences include psychological health, physical healthy, organizational withdrawal, unionization activity, organizational commitment and job stress. Job involvement, cultural values, and procedural justices moderate job security perceptions and attitudes

Worker work performance is a key factor that influences the success of organizations. It encompasses the efficiency and effectiveness with which workforces fulfill their job responsibilities and contribute to achieving organizational goals. High levels of employee performance are associated with increased organizational productivity, enhanced customer satisfaction, and a stronger competitive position in the marketplace. For insurance companies, which are inherently service-driven, employee performance directly impacts operational efficiency, customer trust, and financial stability. However, work

performance does not occur in isolation and is influenced by various factors, among which job security stands out as one of the most significant (Greenhalgh & Rosenblatt, 1984).

Job security refers to the confidence employees have in the continuity of their employment without the fear of termination or dismissals. Employees who perceive their jobs as secure are more likely to feel satisfied and motivated, which enhances their performance. Conversely, the fear of job loss can result in anxiety and lessened morale, destructively impacting performance (Smith et al., 2020). The significance of job security is particularly heightened in the context of the insurance industry, where employee contributions are integral to maintaining customer relationships, operational excellence, and organizational success (Basnet & Pokharel, 2021).

In Nepal, the insurance industry holds a prestigious status, both economically and socially. Employees in this sector are viewed as vital contributors to the country's financial system. However, recent developments have begun to challenge this stability. The relationship between job security and employee performance is multilayered. Theoretical perspectives suggest that employees who feel secure in their roles are more likely to experience job satisfaction and demonstrate higher levels of motivation. This is because a secure work environment fosters trust and engagement, enabling employees to focus on their responsibilities without the distraction of employment concerns. However, a contrasting behavioral perspective indicates that job insecurity can sometimes act as a motivator. Employees may strive to perform better as a means of proving their worth and retaining their positions (Sharma & Thapa, 2019). This phenomenon is particularly evident in developing economies like Nepal, where job opportunities are limited, and employees are often compelled to maintain their current roles by enhancing their performance (Khadka, 2021).

Review of literature

The impact of job security extends to intrinsic motivation, a key factor in Self-Determination Theory. When employees perceive their roles as stable and meaningful, they are more likely to engage in self-motivated actions aimed at achieving organizational goals. Job security creates a supportive and predictable environment, which fosters a sense of autonomy and encourages employees to pursue goals without the fear of sudden instability. This environment makes employees feel supported, valued, and capable of taking initiative, all of which enhance intrinsic motivation and lead to higher levels of performance. Conversely, job insecurity undermines these psychological needs. The fear of job loss creates a stressful atmosphere, eroding employees' sense of competence and relatedness. When employees worry about losing their jobs, they are less likely to engage in meaningful, self-directed efforts, as their motivation shifts toward survival rather than excellence. This insecurity can lead to disengagement, a decline in motivation, and ultimately a reduction in performance.

Herzberg's Two-Factor Theory (1959) divides workplace factors into two categories: hygiene factors and motivators. Hygiene factors include elements like job security, salary, and work conditions. These are basic necessities that prevent dissatisfaction among employees but do not necessarily inspire them to achieve higher performance. On the other hand, motivators, such as recognition, opportunities for achievement, and personal growth, are the factors that drive employees to perform at their best.

Job security falls under the category of hygiene factors. Its presence creates a sense of stability for employees, helping them feel secure in their roles and reducing any anxiety related to potential job loss. While job security may not directly motivate employees to go above and beyond in their work, it plays an important indirect role in maintaining a stable and positive work environment.

When job security is ensured, employees are less likely to feel stressed or worried about their future. This mental peace allows them to focus better on their tasks and responsibilities, leading to consistent and reliable performance. For example, employees who are not preoccupied with concerns about losing their job can channel their energy into improving their productivity and meeting organizational goals.

However, the absence of job security can have the opposite effect. Employees who feel insecure about their jobs may experience dissatisfaction, stress, and decreased morale. These negative emotions can distract them from their work, resulting in reduced performance. Over time, dissatisfaction caused by job insecurity can also lead to higher turnover rates, as employees look for more stable opportunities elsewhere.

Job Demands-Resources (JD-R) Model (Bakker & Demerouti, 2007) provides a framework for understanding how workplace factors, particularly job security, influence employee well-being and performance. According to this model, every job contains two key elements: job demands, which are the physical, emotional, or psychological efforts, required fulfilling job responsibilities, and job resources, which are the assets that help employees, manage these demands effectively. Job security is viewed as a crucial job resource. When employees feel secure in their roles, they experience reduced stress and anxiety, which significantly contributes to their psychological well-being. This sense of stability allows employees to focus more on their work, thus increasing their engagement and overall performance.

Social Exchange Theory (Blau, 1964) offers valuable insights into how employees' perceptions of job security shape their behavior and work performance within organizations. According to this theory, relationships between individuals and organizations are based on reciprocal exchanges, where each party provides something of value to the other. In the workplace, employees view the organization's actions, such as providing job security, as investments in their well-being. In return, employees feel a sense of obligation to reciprocate these efforts by demonstrating loyalty, dedication, and high performance.

Social Exchange Theory emphasizes that the relationship between employees and their employers is dynamic and based on mutual benefit. Organizations that offer job security, in turn, benefit from a workforce that is loyal, motivated, and highly productive. By fulfilling the psychological need for job stability, organizations can enhance employee satisfaction, which positively influences overall work performance. In the context of Nepal's banking sector, this theory suggests that when employees perceive job security, they are more likely to exhibit commitment, stay with the organization longer, and perform at higher levels, ultimately contributing to organizational success.

Maharjan (2013) examined the human resource management practices in Nepal. The result based on 16 qualitative case studies which was conducted in Nepali, Japanese and US companies. The findings indicate that the US and Japanese companies in Nepal are following a hybridized set of HR practices. The characteristics of HR department, recruitment method, pay level and evaluation results were found to have greater local influence while selection method, training, performance tools had greater foreign influence. The finding emphasized that experience, potentiality, loyalty independency, diversity, job knowledge; confidence level and sound health are used as core value during selection.

Adhikari & Gautam (2011) examined employee commitment and organizational performance in Nepal. The main purpose of the study shows number of new HR mandates recommended for the improvement in the situation of low degree of commitment and compliance affecting level of performance in Nepalese workplace. Data were collected from the secondary source. Hard and soft HRM perspectives are incorporated to analyze the issues and develop theories. The hard HR issues mainly include readiness of firms to comply labor legislations, relations between business and HRM strategy and integration among HR functions. The soft HR issues comprise employees' commitment to participate and contribute at work for organizational performance the organization were failed to comply given provision of labor legislations, business and HR strategies are not sufficiently integrate and even there was lesser integration among the HR practice.

Pokhrel (2016) examined the impact of human resources practices on employee satisfaction of Nepalese commercial banks. The survey was based on 173 respondents from 20 commercial banks in Nepal. The survey followed structured questionnaires and the multiple regression models were estimated to test the significance and importance of human resource practices on employee satisfaction in Nepalese commercial banks. The study concluded that there was a significant impact of human resource practices such as human resource planning, recruitment and selection, training and development, performance appraisal, compensation and promotion practices on employee satisfaction.

Methodology

The structured questionnaire have been developed focusing to job security and employee work performance. Several methodological reviews have been made in this chapter. In this study data were collected through distribution of questionnaire. This study has followed descriptive and comparative research design to investigate and examine job security and their relation with work performance in the insurance industry of Nepal. For this study all the listed insurance companies has been considered as the population and 9 life out of 17 and 9 non-life insurance companies out of 17 has been selected as sample companies. The data has been obtained from selected sample of insurance companies. The employees (administrative staff and staff who look after the HR activity) and HR manager has been taken as the respondents of the study. Currently there are 34 insurance companies operating in Nepal out of which 17 companies provide life insurance while 17 companies provide

non-life insurance. The total number of observation for this study consist 200 respondent and 16 insurance companies for analyzing the relationship between HRM practices and employee work performance in Nepalese Insurance Companies, 5 point Likert questionnaire were distributed and collected responses from 172 respondents.

Data has been obtained from a selected sample of insurance companies. Rigorously, the primary data has been used for the study and primary data has collected distributing the structured questionnaires assuming that it has had in a position to provide accurate information regarding HR Practices on organizational performance. This study has used absolutely primary data to draw the conclusions of the research. Five point Likert scale structured questionnaire have been used to collect the data. Questionnaire consists of three parts. First part is seeking demographic information. This part asks information related to name, sex (male/ female), name of the organization, level or position hold (lower/ middle/ higher) and work experience. Second part is related with the variable HR practices and training and development.

Sample Size

The sample companies have been selected purposively. The total number of sample is 9 life insurance companies out of 17 and 9 non-life insurance companies out of 17 has been selected as sample companies. Sample size determination: Probability of picking respondent from life insurance companies 0.5 and from non-life insurance companies is 0.5; the following methodology has used to calculate the sample size:

$$\text{Necessary Sample Size (n)} = z^2 \frac{p \cdot q}{em^2}$$

The sample size (n) comes at 68. In view of possibility of non-response 200 questionnaires have been distributed. All together 172 employees have been defined as respondents Out of them only 122 responses have been collected which have been useable since it is above 122. It is taken as good response and therefore representative. The response rate is 86 % and is considered sufficient for further analysis.

Model Specification

This study predominantly compacts with the structural analysis of the impact of job security on employee work performance of insurance companies in Nepal. For the purpose of examining the factors of job security on employee work performance, the empirical models have been specified. It is a measure relating a quantity or quality of output to the quantity of inputs required to produce it. It can measure in terms of perceptions employees of insurance companies in Nepal.

$$\text{EWP} = f(\text{JS}, \text{CD}, \text{INC}, \text{RFS})$$

A multiple regression model has been employed to measure the significant impact of independent variable on dependent variable.

$$\text{EWP} = \beta_0 + \beta_1 \text{JS} + \beta_2 \text{CD} + \beta_3 \text{INC} + \beta_4 \text{RF} + \dots + e_i$$

where,

EWP: Employee work performance

JS : Job security

CD: Career Determination

INC: Incentives

RFS: Retirement fund scheme

Result and discussion

Job security is one of the major HR practices among the large menu of HR performance. Job security is basically related with retention of an employee for better work performance. Job security increases the motivational power of an employee which consecutively increases employee productivity as well as reducing job dissatisfaction (Huselid, 1995). Promises of job security of internal employees reduce the risk of selecting hiring and internalizing people from external labor markets.

Table No. 1

Descriptive statistics of Job security at Insurance Companies of Nepal

	N	Mean		Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic	Statistic
Non-performing employees are never fired	172	4.12	0.109	1.203	1.448
Difficult to dismiss employees	172	4.34	0.094	1.035	1.071
Job security is almost guaranteed	172	4.64	0.052	.576	.332
Employees downsizing at economic crisis	172	3.59	0.103	1.141	1.302
Issued letter of appoint as per regulation	172	4.52	0.062	.683	.467
Contract signed for the job security	172	3.80	0.107	1.178	1.387
Performing employees are rewarding	172	2.81	0.119	1.313	1.724
Performing employees are given priority	172	3.32	0.106	1.173	1.376
Involved in politics has priority for promote	172	3.82	0.120	1.330	1.769
Higher post has given to well performer	172	2.67	0.120	1.326	1.759

Source: Survey, 2024

The table shows respondents a high and moderate degree of agreement to the statement that prior permission of regulating authorities is essential to downsize the employees with mean value 2.67 which is under moderate category. It shows that prior permission of regulating authority is needed to downsize the employees in some cases but not in all the cases. Respondents indicate a higher degree of agreement in all other statements. It means that Acts, rules and regulations of the countries and internal policies and procedures have provided job security to the employees. Mean values of all other statements are 4.12, 4.34, 4.64, 3.59, 4.52, 3.80, 2.81, 3.32, 3.82, and 2.67 respectively. The overall mean value of job security is 3.676. It means that Nepalese Insurance Industries have high level of job security. It means that rules and regulation of Nepalese Insurance Industries have provided security in the job to the employees. Both categories of the insurance industries provide job security because mean values for all statements are tentatively same and showed the higher degree of agreement. Composite mean value of Insurance Industries is 3.672 and other Insurance Industries 3.68. It showed that both the categories of the Insurance Industries provide job security developing policy coinciding with national policies for providing job securities to the employees.

Regression Result: Employee work performance as dependent variable

A multiple regression analysis is used to identify the factors affecting employee work performance respect to other independent variable prescribed in the model. For the analysis, employee work performance (EWP) has taken as dependent variable, Job security (JS) as independent variable and Career determination (CD), Incentives (INS) and retirement fund scheme (RFS) as intervening variable included in the model. The corrosion consequences of perceived issues of employee work performance show that the sign of all the independent variables are as per priority and expectation. The computed F-statistic is also higher than table value at 99% level of significance indicating that there is a presence of relationship, as adjusted R² is 0.2786, it explains the variation in dependent variable is explained to the extent of 27.86 % by the independent variables included in the model. Therefore, null hypothesis is not accepted, which means that residuals are not auto correlated.

Table: 2

Regression Result: Employee work performance as dependent variable and Job security as independent

EWP = 1.9987					+0.0965**JS	+ 0.11236**CD	+0.13245** INC	+ 0.0827* RFS	+ ei
[1.99876]					[0.034657]	[0.05434]	[0.06783]	[0.767876]	
{0.35652}					{0.10456}	{0.23456}	{0.054685}	{0.07673}	
Obs; 122	F – statistics (4,168): 45.6675*				Adj R ² : 0.2786				
Df; 168	Durbin Watson d test: 1.9787								
Normality test:	Jarque - Bera=J-B stat: 2.5672 (p-value: 0.00035)								
Multicollinearity test:	Variables								VIF
	Job security								0.6785
	Career Determination	1.678							
	Incentives								0.6785
	Retirment fund scheme	1.347							

Figures in parentheses [], indicates standard error and { } indicates t-statistics of the concerned variables and p-values

(*) Significant at (0.01) 1% level

(**) Significant at (0.05) 5% level

(***) Significant at (0.10) 10% level

H₁: There is significant and positive relationship between employee work performance and job security of insurance companies in Nepal.

There is significant and positive relationship between job security and employee work performance of insurance companies in Nepal. The coefficient of job security on employee work performance is 0.0965 meaning that one percent point change in specific training will leads changes in employee work performance by 9.65 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between job security and employee work performance of selected insurance companies in Nepal.

H₂: There is significant positive relationship between Career determination and employee work performance of insurance companies in Nepal.

There is significant and positive relationship between career development and organizational performance of insurance companies in Nepal. The coefficient career determination on employee work performance is 0.11236 meaning that one percent point change in career determination will leads changes in employee work performance by 11.23 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between career determination and employee work performance of selected insurance companies in Nepal.

H₃: There is significant positive relationship between perceived incentives and the perceived employee work performance of selected insurance companies in Nepal

There is significant and positive relationship between incentives and employee work performance of insurance companies in Nepal. The coefficient of incentives on employee work performance is 0.13245 meaning that one percent point change in specific training will leads changes in organizational performance by 13.24 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between incentives and employee work performance of selected insurance companies in Nepal.

H₄: There is significant positive relationship between perceived retirement fund scheme and employee work performance of insurance companies in Nepal.

There is significant and positive relationship between retirement fund scheme and employee work performance of insurance companies in Nepal. The coefficient of Specific training on organizational performance is 0.0827 meaning that one percent point change in retirement fund scheme will leads changes in organizational performance by 8.27 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between retirement fund scheme and employee work performance of selected insurance companies in Nepal.

Findings and Discussion

The primary purpose of this study was to evaluate the impact of job security on employee work performance of Insurance Industries in Nepal. The following are the major findings of the study from the set objectives.

1. Nepalese Insurance Industries have high level of job security. It means that rules and regulation of Nepalese Insurance Industries have provided security in the job to the employees. Both categories of the insurance industries provide job security.
2. The Composite mean value of Insurance Industries is 3.672 and other Insurance Industries 3.68. It showed that both the categories of the Insurance Industries provide job security developing policy coinciding with national policies for providing job securities to the employees.
3. The computed F-statistic is also higher than table value at 99% level of significance indicating that there is a presence of relationship, as adjusted R² is 0.2786, it explains the variation in dependent variable is explained to the extent of 27.86 % by the independent variables included in the model. Therefore, null hypothesis is not accepted, which means that residuals are not auto correlated.
the company continues to invest in job security (Pfeffer 1998). Probst (2002) has developed a conceptual model of the antecedents and consequences of job security. Antecedents include worker characteristics, job characteristics, organizational change and job technology change

Conclusion

Job security is a high level of assurance or confidence for employees to believe they're able to maintain their existing jobs in the foreseeable future. Job security is a critical factor influencing employee motivation, engagement and overall work performance. In the context of Nepal insurance industry where the competition has been increasing. Understanding the relationship between job security and employee work performance job security helps to retain talented employees in a competitive industry. Job security creates a climate of work performance confidence among employees and re-in forces their commitment to the insurance industry in Nepal. Job security requires a certain degree of reciprocity: first, company must signal a clear message that jobs are secure; then, employees believing that this is true feel confident and commit themselves to expand extra effort for the company's benefit; finally, having learned that job security contributes to its performance Nepalese insurance industry.

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