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Cost cutting and employee attitudes

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COST CUTTING AND EMPLOYEE ATTITUDES

A Thesis

Presented to

The Faculty of the Department of Psychology

San Jose State University

In Partial Fulfillment

Of the Requirements for the Degree

Master of Science

By

Susan Marie Jensen

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ABSTRACT

COST CUTTING AND EMPLOYEE ATTITUDES

by Susan Marie Jensen

The purpose of this study was to examine the effects of cost cutting measures on employee attitudes. Perceived procedural fairness and effective communication of cost cutting methods were hypothesized to be positively related to organizational commitment, and negatively related to intention to quit. Bivariate correlations showed support of the above hypotheses. Although perceptions of job alternatives were expected to moderate the relationship between the predictors and intention to quit, results showed that they did not moderate the relationships. Limitations and implications are discussed. Results suggest that employees who feel procedures are fair and communication is effective, will be more committed to the organization, and less likely to quit. Future research suggestions include additional exploratory research, assessment of performance, and assessment of employee attitudes at various stages of cost cutting.

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Introduction

The year 2001 broke all records for downsizing (Brodsky, 2002). The end of the first quarter marked the beginning of a recession (National Bureau of Economic Research, 2001, para. 1) and many companies faced financial difficulties because of the economic downturn. The technology industry was not exempt and companies began reducing their workforce to eliminate costs (Lavelle, 2002). Organizations started by cutting their bottom 5% and as the economy continued to suffer, surviving employees feared losing their jobs. There were approximately 2.5 million claims for unemployment insurance in 2001 (Bureau of Labor Statistics, 2002, para. 1). When companies thought it could not get worse, the events of September 11th further plagued their industries. The months following the terrorist attacks were among the worst of the year. There were approximately 799,000 employee layoffs in October and November alone (The Christian Science Monitor, 2001, para. 4) as companies utilized downsizing strategies to accommodate their reduced budgets. As situations worsened, the temptation to layoff employees strengthened. However, Wall Street emphasized the need for organizational strategy in fixing problems, rather than laying-off valuable employees (Lavelle, 2002). Although numerous companies have chosen to avoid layoffs by pursuing alternative cost cutting measures (e.g., pay cuts, plant shutdowns, reduced work weeks), little research attention has been paid to how such alternative cost cutting measures would be related to employee attitudes (e.g., organizational commitment, intention to quit). Therefore, the purpose of this study was to examine how cost cutting measures that did not include layoffs affect employee attitudes.

Literature linking procedural fairness with employee attitudes is presented to understand the effect perceived fairness has on organizational commitment and turnover intention. Lind and Tyler's (1988) group-value model of procedural justice is used as a basis for understanding procedural fairness. There is little empirical literature on fairness and how it relates to cost cutting (Greenberg, 1989, 1990). Therefore, the literature linking perceived fairness to layoffs and downsizing is used to examine the effect perceived fairness has on organizational commitment and intention to quit when a company implements cost cutting measures.

Definitions

For the purposes of this study, cost cutting refers to procedures adopted by a company to reduce expenses. Cost cutting may include simple procedures (e.g., reduced travel, cease of corporate lunches), severe procedures (e.g., pay cuts, forced use of vacation time), or both. A layoff refers to the involuntary dismissal of employees from their jobs (The American Heritage College Dictionary, 1997). Layoffs can occur due to a lack of available work in the organization or because of corporate reorganization strategies. Although a layoff can be used as a cost cutting procedure, for the purposes of this study, attitudes were examined regarding cost cutting that did not include layoffs. Kozlowski, Chao, Smith, and Hedlund (as cited in Shaw & Barrett-Power, 1997, p. 109) defined downsizing as, "a deliberate organizational decision to reduce the workforce, which is intended to improve organizational performance." Downsizing may include pay cuts, job sharing, hiring freezes, voluntary layoffs, and involuntary layoffs when necessary. The literature on downsizing is important to the present study as it examines

the impact of downsizing on employees' attitudes in situations ranging from minimal cost cuts to massive layoffs.

Group-Value Model of Procedural Justice

Lind and Tyler (1988) based their explanations of procedural justice on a group identification model. The group-value model they developed assumes that human beings value group membership and the opportunity to engage in social activity. According to this model, people are more concerned with developing their self-identity and self-worth than they are with receiving tangible, material outcomes. When individuals affiliate with groups, they have the chance to validate their own beliefs and develop a clearer sense of self-identity (Konovsky & Brockner, 1993). The validation they receive from others makes them feel approved of, admired, and looked up to.

Procedural fairness is an important aspect of the group-value model (Lind & Tyler, 1988). When procedures are carried out that are in line with the core values of the group, there is a feeling of procedural justice. "Procedural justice is the term most commonly used to refer to how decisions are made or the perceived fairness of decision-making procedures" (Konovsky & Brockner, 1993, p. 137). Konovsky and Brockner suggest that when an organization adopts fair procedures, it sends a message to employees that they are being treated with dignity and respect. This serves to enhance their feelings of self-worth. Individuals value their long-term relationship with the organization and therefore pay close attention to management's fair or unfair treatment of organizational members (DeWitt, Trevino, & Mollica, 1998). When employees are

treated fairly, they believe in the future intentions of management and trust managements' decision-making abilities.

Research on Procedural Fairness

Procedural fairness in relation to layoffs. Several studies have been conducted examining how procedural fairness impacts employee attitudes and behaviors during periods of layoffs (e.g., Brockner, 1990; Brockner, DeWitt, Grover, & Reed, 1990; Brockner et al., 1994). For example, after a layoff, researchers have investigated the impact of procedural justice on the surviving employees' level of support and trust in their organization (Brockner et al., 1994), as well as the degree to which the surviving employees withdraw from their work (Brockner, 1990). More specifically, Brockner and colleagues (1994) investigated the interaction effect of procedural justice and outcome negativity on support and trust for the organization after a layoff. The researchers found that when procedural justice was low, outcome negativity, which was measured by victims' responses to questions regarding severance pay and extension of benefits, had an adverse effect on both employees' trust in the organization as well as their support towards the organization.

Two key outcome variables assessed in relation to procedural fairness are organizational commitment and intention to quit. For instance, Brockner, Grover, Reed, DeWitt & O'Malley (1987) conducted a field study examining organizational commitment in a layoff situation. Since the organization being studied had just experienced layoffs, Brockner and colleagues assessed the extent to which surviving employees perceived the layoff as unfair and the extent to which the survivors identified

with the layoff victims. Employees who both felt the layoff was unfair and who identified with the victims experienced lower organizational commitment after the layoff compared to survivors who either did not perceive the layoff as unfair and/or who did not identify with the layoff victims.

Brockner, Tyler, and Cooper-Schneider (1992) extended Brockner and colleagues (1987) previous research by examining the extent to which employees' organizational commitment prior to a layoff moderated the relationship between their perceptions of procedural fairness and their organizational commitment after the layoff. As hypothesized, the most significant decline in organizational commitment levels occurred among employees who were highly committed to the organization prior to the layoff and who perceived the layoff to be unfair. A similar result was found in relation to intention to quit. Employees who were highly committed to the organization prior to the layoff and who perceived the layoff to be unfair had higher intentions to leave the organization than employees not committed to the organization prior to the layoff and/or who did not perceive the layoff to be unfair.

Procedural fairness in relation to downsizing. Ayling (1997) theorized the impact perceived fairness could potentially have on employee attitudes in a downsizing environment. He suggested that acts of unfairness by an organization could cause a loss of trust and belief by employees in its future actions of fairness. He described how one unfair action could discount several fair actions, and in turn, impact employee morale. Ayling suggested that unfairness could cause company performance to suffer due to lack of feedback from employees, lack of employee loyalty, and decreased product quality.

Ayling speculated that once management was perceived to be unfair, subordinates would fear sharing vital information with management and giving the company feedback.

Unfairness could also cause employee loyalty to suffer, which, in turn, increases their intention to quit. Additionally, workload typically increases in a downsizing environment. Employees lacking loyalty to the company might be unable or unwilling to take on additional job responsibilities, which, in turn, affects the quality of the product. In the end, decreased quality and lowered employee morale could eventually cause the company to lose valuable customers either due to poor service or lack of product quality.

Few empirical studies have examined the relationship between procedural fairness and employee attitudes during organizational downsizing (e.g., DeWitt, Trevino, & Mollica, 1998; Petzall, Parker, & Stroeberl, 2000). DeWitt and colleagues (1998) studied a voluntary workforce reduction and its relationship with employee attitudes (e.g., affective commitment, intention to quit). In this reduction, employees who were 55 years or older and had at least 5 years of service could volunteer for early retirement. Employees not eligible for early retirement were offered a voluntary resignation severance package. DeWitt and colleagues hypothesized that affective organizational commitment would likely be higher among employees who believed that management decisions were fair. According to Meyer and Allen (1991) employees who have a strong affective commitment with the organization are emotionally attached, can identify with, and are involved in the organization. These individuals stay with an organization because they want to. In addition, DeWitt and colleagues hypothesized that employees who believed procedures to be fair would be less likely to consider quitting. As hypothesized,

procedural fairness was positively related to affective commitment and negatively related to intention to quit. Dewitt and colleagues suggested that fair procedures should ensure employees' future trust in management.

Petzall and colleagues (2000) examined the relationship between procedural fairness and employees' organizational commitment, as well as their intention to quit. Petzall et al. suggested that employees could have intended to stay with their current organization only because of the economic downturn. Petzall and associates speculated that it can be difficult for even top executives to find alternative employment when job opportunities are not abundant. Therefore, in poor economic times it can be difficult to predict a relationship between procedural justice and intention to quit. The present study examined perceived job alternatives as a moderator to test Petzall and colleagues' theory that intention to quit can be predicted by poor economic conditions.

Procedural fairness in relation to cost cutting. Bewley (1999) discussed the aspect of pay cuts and their effect on employee attitudes. Bewley suggested that pay cuts hurt employees' morale and demotivate them. He also proposed that turnover would increase with the implementation of pay cuts. However, if employees fully understood the economic need to cut pay and believed management to be fair in their decisions, they would probably be more likely to accept cutbacks. In contrast, Perry (1986) argued that pay cuts would not lead to increased turnover as long as the pay cuts were within reason and were time limited. Perry suggested that managers communicate their intent to "make it up" when conditions improve and stick to their word when there are more funds available for reward.

Reduction in pay is just one of the cost cutting measures that was examined in the present study. The company in the present study began by cutting pay, then implemented shutdowns forcing employees to take time off without pay, and finally offered several voluntary programs (e.g., unpaid sabbatical, early retirement, voluntary resignation). It was expected that fair procedures in a cost cutting environment would have the same effect on employee attitudes that research has proven it to have on layoffs and downsizing. It was hypothesized that procedural fairness would have a positive relationship with organizational commitment and a negative relationship with intention to quit. Also hypothesized, was that perceptions of job alternatives would moderate the relationship between procedural fairness and intention to quit.

Hypothesis 1: There will be a positive relationship between the procedural fairness of cost cutting and affective commitment.

Hypothesis 2: There will be a positive relationship between the procedural fairness of cost cutting and normative commitment.

Hypothesis 3: There will be a negative relationship between the procedural fairness of cost cutting and intention to quit.

Hypothesis 4: Perceptions of job alternatives will moderate the relationship between procedural fairness and intention to quit, such that the relationship will be less pronounced when employees perceive job alternatives to be scarce.

Research on Communication

The present study also examined the effect of communication on employee attitudes in a cost cutting environment. Empirical research on communication in the

layoff, downsizing, and cost cutting literature is lacking, however many studies theorize about its importance (e.g., Bewley, 1999; Brockner et al., 1990; Citrome, 1997; Greenberg, 1990; Konovsky & Brockner, 1993; Laabs, 1996; Levine, 1984; Luthans & Sommer, 1999; Morton, 1983; Perlmutter, Netting, & Bailey, 2001; Petzall et al., 2000; Smeltzer & Zener, 1992; Worster, 2000). These studies recommended the use of clear and regular communication as part of a successful plan, regardless of whether the plan includes cost cutting, downsizing, or full-blown layoffs. Communication literature is presented to emphasize the importance of communication during times of change.

Communication in relation to layoffs. There is little empirical research on communication in the layoff literature. However, Brockner and colleagues (1990), examined the clarity of managerial explanations in a layoff situation and how these explanations affected surviving employees' attitudes and behaviors. Managerial explanations included the reasoning behind the decision to layoff. As hypothesized, survivors who perceived managers' explanations to be unclear were less committed to the organization and this relationship was stronger when they perceived the layoff to be unfair. A similar relationship was found regarding intention to quit. Employees who perceived managers' explanations to be unclear were more likely to express an intention to quit and this relationship was stronger when they perceived the layoff to be unfair. Therefore, they suggested that management include the basis for their decision as to who would be laid off in their explanations. Brockner and colleagues suggested that clear managerial explanations could help ease tension regarding unfavorable layoff decisions. During times of change, employees will seek out information and when the organization

provides the employees with adequate information, reactions regarding the layoff should be more positive (Brockner et al, 1990).

Smeltzer and Zener (1992) developed a model for announcing major layoffs. The researchers developed the model based on existing literature and then used the model to analyze eight organizations undergoing layoffs. The following four aspects of communication emerged consistently across organizations: rumors, culture, climate, and timing. Rumors existed in six of the eight cases. Smeltzer and Zener recommended that organizations pay close attention to grapevine information and monitor it to keep it from getting out of control. In the most extreme case, the employees had heard so many rumors about the possibility of layoffs that they were relieved when the announcement was finally made. Smeltzer and Zener stressed the importance of employees learning about the layoff from management rather than the media. When management is not the first to communicate about the layoff, management risks losing credibility, as well as employees' trust. Smeltzer and Zener suggested that rumors were highly related to the remaining three aspects of communication (i.e., culture, climate, and timing).

Smeltzer and Zener (1992) suggested that a company's organizational culture also be considered when developing an announcement that includes layoffs. Smeltzer and Zener argue that layoff information should be divulged in a manner consistent with organizational norms and in line with corporate values. Two aspects of culture were prevalent in their study: previous organizational involvement in layoffs and trust in management. With respect to previous organizational involvement, Smeltzer and Zener found that layoffs were easier to accept in a company that had experienced them

frequently. The second aspect of culture prevalent in the study was trust in management. Employees who trusted management were more likely to accept the layoff announcement, asked fewer questions than those who did not trust management, and were more likely to believe management's rationale for deciding to layoff. Smeltzer and Zener recommended that the layoff announcement be consistent with the organizational culture and support values adopted by the general employee public.

Climate is another aspect of communication that must be considered when delivering a layoff announcement. Smeltzer and Zener (1992) described climate as similar to culture, but more temporary. Climate is short term in nature and involves perceptions about what things should be like at a particular time. Culture involves a deeper set of beliefs about the organization and can be more difficult to change. For example, a negative climate may emerge after an undesired change in the company, however the cultural values still remain intact. One company in Smeltzer and Zener's study announced a major layoff at the same time a major landscaping project was being implemented to improve the appearance of the facility. Prior to the layoff announcement, facility improvements represented a climate of economic growth. The layoff announcement was described as a financial restructuring. The company continued with the landscaping project during the restructuring. Employees did not view the landscaping as an important expansion while the company was restructuring its finances. Therefore, the announcement of the layoff was inconsistent with the climate employees had of economic growth.

Lastly, Smeltzer and Zener (1992) recommended considering the timing of the layoff announcement. In only three cases they examined did management carefully consider the timing of the message. The company that announced a major layoff the day before a holiday weekend did not consider timing. Many employees had taken the day of the announcement off in order to extend their vacation and, as a result, heard about the layoff from the media, causing them to lose confidence in management. Smeltzer and Zener suggested that management consider how much time is available to communicate and when the message will be delivered. The authors concluded that management should communicate the announcement and pay special attention to rumors, culture, and climate when considering timing.

Worster (2000) presented an approach for Employee Assistance Program professionals to follow when dealing with organizations that have undergone layoffs and/or downsizing. Worster suggested that management share information with employees as soon as it is available in order to stop rumors from starting and spreading. Once the original announcement is made and layoffs have taken place, it is important for management to share information with the survivors to ease their fear of additional reductions in force. Management should share their vision for the future with employees and begin engaging them in the decision making process. Employees should be encouraged to give feedback to management, which will in turn make them feel they were part of the solution.

Communication in relation to downsizing. Many empirical studies in the downsizing literature mention the importance of communication in their discussion

sections, however no study has been found that measured communication in relation to employee attitudes during a downturn (e.g., Luthans & Sommer, 1999; Petzall et al, 2000). Luthans and Sommer examined a longitudinal downsizing intervention and its impact on employee attitudes, as well as the differences between managers and employees. As hypothesized, organizational commitment declined during the downsizing intervention period, and the relationship between the downsizing intervention and organizational commitment was more negative for employees than for managers. Luthans and Sommer did not measure communication, however they attributed the difference in organizational commitment between managers and employees to communication. Managers were notified about the decision to downsize, informed of the criteria, and involved in the assessment. During each phase of the downsizing intervention, managers were given information about the next steps, an understanding of the process, and time to adjust. Therefore, Luthans and Sommer recommended sharing information with all levels of the organization. If employees are aware of possible implications and have the chance to participate in solutions, they too may exhibit higher levels of organizational commitment.

Citrome (1997) presented a case study of a hospital that experienced downsizing and provided information on what helped ease the process. The CEO provided employees with information on what positions were to be eliminated. Employees were given time to decide whether or not they would consider reassignment or displacement to another facility. Some employees were, however, forced to leave their jobs. The communication that management offered to employees helped them realize the severity

of the problem. Management notified employees which positions would be eliminated, which, in turn reduced rumors and helped them make informed decisions about their future careers. Decision-making strategies were shared to communicate management's commitment to procedural fairness. Citrome stressed the importance of communicating with survivors to keep them motivated. Sharing information about the future direction of the company may serve to engage employees in the understanding process and encourage them to be part of building a new organization.

Several researchers have advocated the importance of opening the lines of communication between management and employees (e.g., Perlmutter et al. 2001; Levine, 1984; Morton, 1983). Levine suggested that uncertainty in an organizational environment could cause negative attitudes among employees. Increasing communication between management and employees is one way to reduce uncertainty. For example, management can increase communication by diffusing rumors and discussing what the future holds for the organization (Levine). Managers can also restore confidence in employees by communicating to each employee his/her long-term value to the organization.

Perlmutter and colleagues (2001) recommended sharing information with management and employees, making sure that communication is spread throughout the entire organization. This process would begin with management being able to share concerns with each other on a regular basis. After sharing concerns, managers could assist in coming up with solutions for the company. Perlmutter and colleagues suggested

that the first step in the process of ensuring proper communication is sharing throughout the organization.

Morton (1983) discussed the importance of sharing information anytime personnel expenses are reduced (e.g., hiring freezes, early retirement, layoffs). He stressed that communication regarding a reduction in personnel should be accurate, timely, specific, and in person. Management should encourage employees to discuss the problem. Immediately following communication, management should be prepared to listen to complaints from employees and respond to their questions. If a layoff is involved, communication becomes crucial for survivors to ease their anxiety about the potential of additional cutbacks.

Communication in relation to cost cutting. Literature regarding cost cutting makes recommendations for implementing a plan and emphasizes the importance of communication in the delivery mechanism (e.g., Bewley, 1999; Laabs, 1996). Greenberg (1990) linked communication and pay reductions in his study, which involved an examination of three manufacturing plants within the same company. The President of the company announced the pay reduction to Plant A during a 90-minute discussion in which he used charts and graphs to specifically point out the reasoning behind the decision. In addition, employees were guaranteed the pay cut would only last ten weeks (adequate explanation condition). The Vice President of the company delivered the message to Plant B that pay would be cut 15% in a brief 15-minute meeting without clear explanations of why the cut was being implemented. Employees were told that the cut was expected to last 10 weeks, but were given no guarantees (inadequate explanation

condition). Plant C experienced no pay reductions (control condition). Greenberg found that pay cuts were not seen as unfair when the reasons regarding the reductions were discussed openly and empathetically (adequate explanation condition). However, employees in the inadequate explanation condition expressed the greatest perceptions of pay inequity and were more likely to quit.

Laabs (1996) presented a case study of a company that implemented a two-part plan to cut costs. The plan included a temporary across the board pay cut and voluntary leaves of absence. Management shared the negative financial information with employees and gave them the opportunity to become involved in solutions. The company attributed its resulting financial savings to company wide support and involvement. Based on this case study, Laabs stressed the importance of top management sharing financial results with employees regardless of whether the information is positive or negative. The sharing of information serves to reduce rumors and engage employees in coming up with creative solutions.

Bewley (1999) theorized that pay cuts might not be the best way to cut costs. However, he argued that if a company chooses to cut pay then communication is important in making the pay cut successful. Employees who truly believe the company to be in a crisis situation may be more likely to accept pay cuts. Therefore, it should be easier to implement pay cuts during an economic downturn (Bewley, 1999).

The present study examined communication and employee attitudes. It was hypothesized that effective communication would have a positive relationship with organizational commitment and a negative relationship with intention to quit. Also

hypothesized, was that perceptions of job alternatives would moderate the relationship between communication and intention to quit.

Hypothesis 5: There will be a positive relationship between effective communication of cost cutting and affective commitment.

Hypothesis 6: There will be a positive relationship between effective communication of cost cutting and normative commitment.

Hypothesis 7: There will be a negative relationship between effective communication of cost cutting and intention to quit.

Hypothesis 8: Perceptions of job alternatives will moderate the relationship between effective communication and intention to quit, such that the negative relationship will be less pronounced when employees perceive job alternatives to be scarce.

Method

Participants

Participants were a sample of employees from a semiconductor company in the Silicon Valley. The company engaged in a variety of cost cutting measures from mandatory pay cuts to voluntary resignations. Of the 846 employees randomly selected for the study, 467 completed the web-based survey for a response rate of 55.2 percent. Five participants were eliminated because of missing data, resulting in a usable sample of 462. Participants were predominantly male (71%), Caucasian (60.7%) or Asian/Pacific Islanders (25.8%), and most fell within the following age ranges: 26-34 (34.9%), 35-44 (36.7%), or 45-54 (17.6%). Respondents were either individual contributors (68.5%) or

managers, and 98.5% worked full-time. Most employees had worked for the company for 2-5 years (60%) or 6-10 years (27.3%).

Cost Cutting Programs

Many competitors of the company in the present study engaged in layoff activities. The company in this study did not want to resort to layoffs to save money. The CEO strongly believed in retaining all of the employees and ensuring that the company was ready with talented people when the economy bounced back. All cost cutting efforts were announced by the CEO and were broadcast worldwide to the employees. The first announcement informed the employees that there would be an across the board tiered pay reduction. In addition to the pay reduction, the company enforced two unpaid shutdowns. Employees could either take four days off without pay, or use their vacation time. Three months later a second announcement was made which included an additional 7.5% pay reduction. Employees could choose to take five days off during the quarter either unpaid or using vacation time, or they could receive stock options for the pay reduction. All employees were required to take four days of unpaid time or vacation time during the Christmas holiday. A month and a half after the second announcement, the company began offering unpaid sabbaticals with continued benefits. Five weeks after the sabbatical program was announced, the company announced another set of cost cutting programs, including the original unpaid sabbatical, a one year sabbatical which included a bonus for going back to school or volunteering, early retirement, voluntary resignation, and reduced work weeks. Eight months after the initial pay reductions were enforced, an announcement was made that there would be no

shutdowns the following quarter, but the tiered pay cuts and the 7.5% pay cuts would remain intact. One month later, the 7.5% pay cut was eliminated and the following month, full pay was reinstated.

All announcements were televised worldwide and delivered by the CEO during his quarterly televised address or through a special announcement. Each time an announcement was made, a set of questions and answers were available on the web. Employees were encouraged to discuss the situation with their manager, Human Resources, and the CEO himself. The CEO asked for suggestions if the employees felt they had a better solution. At the time full pay was reinstated, employees had endured almost ten months of reduced pay.

Procedures

Eleven months after full pay was reinstated, web-based surveys were sent to a random sample of 846 employees located in the company's worldwide offices. The sample represented 32% of the company's total population. An email introducing the research project was sent to participants by the Vice President of Human Resources encouraging their participation. A consent form was attached to the email detailing the purpose of the study. The next day, another email was sent to employees by the researcher. The email included instructions for taking and submitting the survey. A link to the survey was provided in the email. All surveys were electronically sent to the researcher with no information that could identify the participants. Participants were given one week to complete the web-based survey. A reminder email was sent out two days prior to the survey link being removed from the web.

Measures

Demographics. Employees were asked to report job specific demographics, such as tenure, whether they were hired during the cost cutting period, full/part-time status, managerial status, division, and location. Personal demographics included gender, age, ethnic background, and whether or not employees had dependents.

Cost cutting questions. Four questions addressed company specific information regarding the cost cutting and the potential of future cost cutting (e.g., If budget were a concern in the future, I would prefer these types of cost cutting programs as opposed to layoffs.). A 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree was used for all items. Coefficient alpha was .79. Three questions identified whether or not participants engaged in voluntary cost cutting measures (e.g., I volunteered to take an Unpaid Sabbatical to pursue personal interests.). Participants answered either yes or no. One question addressed how long participants would put up with cost cutting measures in the future (e.g., If the company engaged in future cost cutting measures, how long would you be willing to put up with cost cutting before you began looking for alternative employment?). A scale was developed ranging from (1) 1 month to (8) Would participate in cost cutting as long as no one had to lose his or her job.

Procedural fairness. Procedural fairness refers to the perceived fairness of the methods used to make decisions. Twelve items were used to measure procedural fairness. Two items from Kanfer, Sawyer, Earley, and Lind's (1987) three-item measure of procedural fairness were adapted to measure perceptions of fairness regarding cost cutting methods (e.g., How fair were the procedures used to determine the cost cutting

measures?). One item from Tyler's (1990) measure of procedural justice (e.g., "Overall, how fairly were you treated by the organization?") was used to assess how fair they felt they were personally treated. Three items (e.g., How fair did you feel the procedures were for implementing the following mandatory cost cutting measures: initial tiered pay cuts?) were developed to investigate perceptions of fairness regarding cost cutting measures that were mandatory and involved a loss of pay. Five items (e.g., How fair did you feel the following voluntary programs were: early retirement, reduced hours?) were developed to assess perceptions of fairness regarding voluntary cost cutting measures. A 7-point Likert-type scale ranging from (1) very unfair to (7) very fair was used for all of the items mentioned above. One item from Brockner, Wiesenfeld, & Martin's (1995) measure of procedural justice was adapted to examine their overall judgement of fairness (e.g., Compared to this company, how much do you think other organizations that also went through a cost cutting period, were generally fair in the way they handled their cost cutting process?). A 7-point Likert-type scale ranging from (1) others were much less fair than this company to (7) others were much more fair than this company was used. Coefficient alpha for all twelve items was .90. Based on factor analyses presented in Table 1, Appendix D, two dimensions were found. Coefficient alpha for mandatory cost cutting items was .86. Coefficient alpha for voluntary cost cutting items was .93.

Communication. Communication refers to the messages that were shared with the employees regarding the cost cutting and the financial situation of the company. For the purposes of this study, effective communication involved communication that was open, honest, adequate, timely, and clear. Three items from Martin, Parsons, and Bennett's

(1995) measure of open and honest communication were adapted for the present study (e.g., "Things were brought out in the open without hiding them from employees."). One item was developed to assess the adequacy of the information that was shared regarding the company's financial situation (e.g., Management adequately explained the financial situation of the company.). Two items were developed to assess whether or not information was shared in a timely manner (e.g., Information regarding the cost cutting methods was shared in a timely manner.). One item was developed to examine the clarity of communication (e.g., The cost cutting programs were clearly communicated.). A 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree was used for all seven communication items. Coefficient alpha was .91.

Job alternatives. Job alternatives refer to the employee's perception of being able to find alternative employment outside their current organization. McGee and Ford's (1987) three-item measure was used to examine the employee's perception of job alternatives (e.g., "Right now staying with my organization is a matter of necessity as much as desire."). A 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree was used for all items. Coefficient alpha was .78.

Organizational commitment. Two aspects of organizational commitment were measured in this study. Affective commitment refers to how connected and involved the employee is with the organization. Meyer, Allen, and Smith's (1993) six-item measure was used to examine affective commitment (e.g., "This organization has a great deal of personal meaning for me."). Coefficient alpha was .89. Normative commitment examines how obligated the employee feels to remain with the organization. Meyer et

al.'s (1993) six-item measure was used to examine normative commitment (e.g., "I would feel guilty if I left my organization now."). Coefficient alpha was .88. A 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree was used for both dimensions of organizational commitment.

Intention to quit. Intention to quit involves an employee's intention to seek alternative employment and leave their current organization. Cammann, Fichman, Jenkins, and Klesh's (1983) three-item intention to turnover measure was adapted to assess the employee's intention to quit (e.g., "I will probably look for a new job in the next year."). A 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree was used for all three items. Coefficient alpha was .91.

Results

Cost Cutting Questions

In general, employees in the present study favored management decisions regarding cost cutting methods. Participants agreed that the company did a good job of maximizing cost cutting options as opposed to layoffs ($M = 6.39$, $SD = 1.13$) and that they would prefer these types of cost cutting programs if budget were a concern in the future ($M = 6.29$, $SD = 1.32$). Most employees felt that the Human Resources department adequately answered their questions regarding the cost cutting ($M = 5.83$, $SD = 1.19$). They also felt good knowing that they contributed to saving the company money ($M = 6.17$, $SD = 1.12$). Employees who volunteered to resign or took early retirement were not included in the sample, however, volunteers for the other three programs were included. Specifically, five participants of the sample volunteered for the unpaid sabbatical with a

bonus for going back to school or volunteering in the community. Nine participants volunteered for the unpaid sabbatical to pursue personal interests. They were given the opportunity to take two months up to one year off while maintaining their benefits. Sixty-two participants volunteered to reduce their work hours on a weekly basis. In general, responses on most items were skewed in favor of the company.

Dimensionality of the Measures

In order to examine the dimensionality of each of the scales, principal component analysis with varimax rotation was conducted for the measures of procedural fairness, communication, organizational commitment, and intention to quit. Results for the procedural fairness items are presented in Table 1, Appendix D. Two factors were extracted. Based on the factor analysis, two subscales of procedural fairness were created. Perceptions of fairness regarding mandatory cost cutting options accounted for 48.99% of the variance in overall procedural fairness. Perceptions of fairness regarding voluntary cost cutting options accounted for an additional 17.87% of the variance. Two separate scales (e.g., procedural fairness-mandatory, procedural fairness-voluntary) were created based on the factor analysis.

Principal components analysis with varimax rotation was performed for the communication items. One factor was extracted and accounted for 64.65% of the total variance in the communication items. Results are presented in Table 2, Appendix D.

Principal components analysis with varimax rotation was performed for the organizational commitment items. Items addressing affective commitment, normative commitment, and perceptions of job alternatives were entered. Previous research found

perceptions of job alternatives to be a subscale of continuance commitment (McGee & Ford, 1987). Although continuance commitment was not measured in this study, the job alternatives measure was entered with the two organizational commitment measures based on the previous research of McGee and Ford (1987). Three factors were extracted. Results are presented in Table 3, Appendix D. Factor 1 accounted for 43.39% of the variance in the organizational commitment items. Factor 2 accounted for an additional 14.3% of the variance. Factor 3 accounted for an additional 8.74% of the total variance. Interpretive labels for each factor are presented in Table 3, Appendix D. All affective commitment items loaded on the first factor. All job alternative items loaded on the second factor. All normative commitment items loaded on the third factor, although two of the items were complex and also loaded on the first factor. The normative commitment item, "I owe a great deal to my organization" loaded heavier on Factor 1 (.45) than it did on Factor 3 (.34). The normative commitment item, "This organization deserves my loyalty" loaded heavier on Factor 3 (.49) than it did on Factor 1 (.39). Although these items are complex, they were kept as part of the normative commitment scale. Previous research has kept them as part of the normative commitment scale and the reliability of the scale was adequate (coefficient alpha = .88).

Principal components analysis with varimax rotation was performed for the intention to quit items. One factor was extracted and accounted for 84.43% of the total variance in the intention to quit items. Results are presented in Table 4, Appendix D.

Descriptives and Bivariate Correlations

Descriptive statistics, reliabilities, and bivariate correlations are presented in Table 5, Appendix D. It was hypothesized that there would be a positive relationship between the procedural fairness of cost cutting and both affective commitment (Hypothesis 1) and normative commitment (Hypothesis 2). In addition, it was hypothesized that there would be a negative relationship between the procedural fairness of cost cutting and intention to quit (Hypothesis 3).

Consistent with Hypotheses 1 through 3, procedural fairness-mandatory was positively related to both affective commitment ($r = .50, p < .001$) and normative commitment ($r = .43, p < .001$), and negatively related to intention to quit ($r = -.45, p < .001$). These significant correlations suggest that employees who perceived mandatory cost cutting to be fair were also more likely to feel committed to the organization and less likely to indicate intentions to quit. Procedural fairness-voluntary was also positively correlated with both affective commitment ($r = .36, p < .001$) and normative commitment ($r = .25, p < .001$), and negatively correlated with intention to quit ($r = -.29, p < .001$). These significant correlations suggest that employees who perceived voluntary cost cutting to be fair were also more likely to feel committed to the organization and less likely to indicate intentions to quit. Thus, Hypotheses 1, 2, and 3 were supported.

It was hypothesized that there would be a positive relationship between effective communication of cost cutting and both affective (Hypothesis 5) and normative commitment (Hypothesis 6). In addition, it was hypothesized that there would be a

negative relationship between effective communication of cost cutting and intention to quit (Hypothesis 7).

Consistent with Hypotheses 5 through 7, communication was positively related to both affective commitment ($r = .51, p < .001$) and normative commitment ($r = .41, p < .001$), and negatively related to intention to quit ($r = -.42, p < .001$). These significant correlations suggest that employees who perceived communication to be effective were also more likely to feel committed to the organization and less likely to indicate intentions to quit. Therefore, Hypotheses 5, 6, and 7 were supported.

Table 5, Appendix D, also demonstrates that procedural fairness-voluntary was positively correlated with the procedural fairness-mandatory ($r = .48, p < .001$) and communication ($r = .54, p < .001$). Perceived job alternatives was positively related to communication ($r = .13, p < .01$), affective commitment ($r = .18, p < .001$), and normative commitment ($r = .09, p < .05$), and negatively related to intention to quit ($r = -.17, p < .001$). Affective commitment and normative commitment were negatively correlated with intention to quit ($r = -.64$ and $r = -.55, p < .001$ for affective and normative commitment respectively).

Unexpectedly, procedural fairness-mandatory was highly correlated with communication ($r = .69, p < .001$), suggesting potential multicollinearity. In addition, affective commitment was highly correlated with normative commitment ($r = .69, p < .001$).

Hierarchical Moderated Regression Analyses

A hierarchical moderated regression analysis was performed to test the hypothesis that job alternatives would moderate the relationship between procedural fairness and intention to quit, such that the relationship would be less pronounced when employees perceived job alternatives to be scarce (Hypothesis 4). In the first step, the two procedural fairness variables and job alternatives were entered. The main effects explained a significant amount of the variance in intention to quit ($\Delta R^2 = .22, p < .001$, see Table 6, Appendix D) with procedural fairness of mandatory cost cutting being a significant predictor ($\beta = -.39, p < .001$). In the second step, the product of each of the procedural fairness variables and job alternatives were entered. The product of the procedural fairness variables and job alternatives did not account for a significant amount of additional variance ($\Delta R^2 = .01, ns.$). Therefore, Hypothesis 4 was not supported.

Hierarchical moderated regression analysis was also performed to test the hypothesis that job alternatives would moderate the relationship between communication and intention to quit, such that the relationship would be less pronounced when employees perceived job alternatives to be scarce (Hypothesis 8). In the first step, communication and job alternatives were entered. The main effects explained a significant amount of the variance in intention to quit ($\Delta R^2 = .19, p < .001$, see Table 7, Appendix D) with communication being a significant predictor ($\beta = -.40, p < .001$). In the second step, the product of communication and job alternatives was entered. The

product of communication and job alternatives did not account for a significant amount of additional variance ($\Delta R^2 = .00$, ns.). Thus, Hypothesis 8 was not supported.

Discussion

This purpose of this study was to examine how cost cutting measures that did not include layoffs affect employee attitudes. This study contributes to the cost cutting literature by providing empirical research that tested hypotheses from the layoff and downsizing literature. Results reinforce the notion that management should pay special attention to the fairness of decision-making procedures and effectively communicate when cost cutting.

The results of the present study provide empirical support for the hypotheses. Participants, who felt that decision-making procedures for cost cutting methods were fair, were also more likely to be committed to the organization and were less likely to indicate intentions to quit. Results also support recommendations regarding communication from the layoff, downsizing, and cost cutting literature. Participants, who felt that communication with respect to cost cutting, was effective, were more likely to be committed to the organization and were less likely to indicate intentions to quit. The results suggest that management pay special attention to the procedures used when making decisions regarding cost cutting, and more specifically cost cutting which impacts employees' compensation. The results also suggest that management share information as early as possible. Management should be open and honest about the financial situation of the company and its future direction. In addition, information shared should

adequately represent the situation, be shared in a timely manner to avoid rumors, and be clear enough for understanding.

Perceptions of job alternatives were expected to moderate the relationship between the independent variables (e.g., procedural fairness, communication) and intention to quit, such that the negative relationship would be less pronounced when job alternatives were scarce. The hypotheses were not supported. A possible explanation of this involves company turnover rate. The company's turnover rate was very low (4.9%) the year preceding the economic downturn. It is possible that those who sought alternative jobs exited the company by volunteering for either the voluntary resignation program or the early retirement program. Those who exited were not surveyed. It is possible that employees who remained with the company did so because they were not interested in seeking alternative employment. Therefore, they may not have had a clear understanding of what jobs were available at that time, thus skewing the data.

Implications

Theoretical implications. This study provides additional empirical support for Lind and Tyler's (1988) group-value model of procedural justice, which suggests that individuals value their affiliation with groups more than tangible outcomes. As perceptions of fairness increased among employees, so did their commitment to the organization. Participants who felt procedures were fair, were less likely to develop intention to quit. This suggests that employees value their affiliation with the company even when tangible outcomes are reduced.

Results provide empirical support for communication suggestions from the layoff, downsizing, and cost cutting literature. Participants who felt communication was effective, were more likely to be committed to the organization, and were less likely to develop intention to quit. This suggests that cost cutting may not negatively affect employee attitudes as long as employees feel communication is effective.

Practical implications. This study suggests that existing literature on layoffs and downsizing can be applied to a cost cutting environment. Management should pay close attention to the fairness of decision-making procedures. Careful attention should be paid to ensure procedures are in line with the group's values. Employees will in turn feel they are being treated with dignity and respect and will trust the future decision-making abilities of management.

Communication is extremely important in times of uncertainty. Management should communicate as much information as possible and as soon as the information is available. The results of this study imply that communication should be open, honest, adequate, timely, and clear. It may also be helpful to solicit employee feedback on controversial topics to ensure that all aspects of the situation are being addressed. The CEO of the company in the present study asked for employee feedback and responded openly on the company web site. He asked employees for additional ideas if they did not agree with what was being implemented. Results suggest that this type of communication was helpful in enhancing employee commitment and reducing their intentions to quit.

Limitations

Although the results of the present study provide additional evidence for the importance of procedural justice, and emphasize the importance of communication for cost cutting, the present study is not without limitations.

First, at the time the survey was distributed, employees' pay had been fully reinstated for 11 months. The company was continuing cost cutting efforts through hiring freezes, however pay was not affected. Contributions of this study may be limited due to participants' inability to fully remember the effects of pay reductions. It is possible that after the fact, employees were able to see the greater overall benefit of no one being laid off. However, during the cost cutting period, employees might have felt that pay cuts were unfair and would have rather seen co-workers who were not performing laid off. It is also possible that uncertainty existed during the economic downturn, and at the time, communication was not seen as effective as it was after the fact.

Furthermore, surveys were not sent to employees who volunteered to resign or take early retirement. It is possible that these people were unhappy with the company and decided to leave when they had an option with some compensation and/or continued benefits. It would have been interesting to request participation from all the volunteers.

Another limitation existed because of heightened media attention at the time the survey was distributed. For the last few years, the company had participated in a survey of top places to work in America. The company was rated extremely high for the previous year and much attention was paid to the fact that the company did not layoff

during the economic downturn. The company was rated top in its industry and in the Silicon Valley. Results of that survey were released one week prior to this study being conducted. The CEO and the Vice President of Human Resources were interviewed by various media agencies and some interviews were broadcast to the entire company. It is possible that employees who did not think procedures were fair or communication was handled well, were able to now see the greater benefit of cost cutting. It is also possible that employees were feeling very proud of the company, which could have, in turn, affected their responses regarding organizational commitment and intentions to quit.

Future research

In the future, researchers should attempt to survey employees before, during, and after cost cutting. It would be interesting to compare outcomes as changes are taking place. It may be difficult for a company to foresee this type of cost cutting, making it challenging to survey employees before implementation. If it were not possible to survey employees at all stages, it would be most beneficial to survey employees during the cost cutting, while they are experiencing the pain of pay reductions.

It would be interesting to evaluate performance in future research. If possible, it would be helpful to obtain performance levels before, during, and after the cost cutting period. It would be interesting to find out how cost cutting effects performance. It is possible that cost cutting demotivates employees, causing a decrease in performance. On the flip side, it is possible that employees feel good knowing they are contributing to saving the company and co-worker's jobs, this in turn could positively affect their performance.

Since there is not a lot of empirical research on cost cutting, it would be beneficial to include more exploratory research. Face to face interviews would be very helpful in defining what cost cutting includes. Researchers could probe into how cost cutting has affected the individual on different levels. Cost cutting may be affecting their job. For example, if there are no replacements for terminated employees, workload may increase, causing stress on the job. Cost cutting may also be affecting life outside of work. The employee may not be able to participate in as many recreational activities as before. If job stress increases and the employee has fewer outlets to release tension, the employee's life outside of work may be negatively affected. Dependents of employees may also be affected by pay cuts. Dependents who did not work may have to go back to work or take on additional responsibilities. This may cause stress on both the employee and the dependant. Employees may also experience feelings of guilt. All of these variables could cause an increase in stress either at work, away from work, or both. Future research should include more exploratory analysis by asking open-ended question and/or conducting face to face interviews.

In conclusion, this study provides practical implications for companies who need to cut costs. The company in the present study demonstrated alternatives to laying off valuable employees. These alternatives can be successful when procedures are fair and communication is effective. Furthermore, the present findings add to the layoff, downsizing, and cost cutting literature. Future research on cost cutting should enable us to understand other aspects of cost cutting.

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Appendix A

Survey Instrument

Demographics

- 46 How many years have you worked at this organization?
- 47 Were you hired during the cost cutting period (5/1/01 - 2/15/02)?
- 48 What is your working status (e.g., full-time or part-time)?
- 49 Are you a: (e.g., individual contributor, supervisor, or manager)?
- 50 What division were you working in during the cost cutting?
- 51 Which location do you work in?
- 52 What is your gender?
- 53 Do you have dependents (spouse, domestic partner, child, domestic partner child, parent)?
- 54 How old are you?
- 55 What is your ethnic background?

Cost Cutting Programs

- 1 I feel the organization did a good job of maximizing cost cutting options as opposed to layoffs.
- 2 The Human Resources department adequately answered my questions regarding the cost cutting programs.
- 3 If budget were a concern in the future, I would prefer these types of cost cutting programs as opposed to layoffs.
- 4 I feel good knowing I contributed to saving the organization money.
- 5 I volunteered to take a 1 year Unpaid Sabbatical "with a twist" (\$10,000 bonus for volunteer work or going back to school).
- 6 I volunteered to take an Unpaid Sabbatical to pursue personal interests (2mo. - 1yr. off).
- 7 In addition to mandatory time off, I volunteered to reduce my hours on a weekly basis.
- 8 If the organization engaged in future cost cutting measures, how long would you be willing to put up with cost cutting before you began looking for alternative employment?

Procedural Fairness-Mandatory

- 16 How fair were the procedures used to determine the cost cutting measures?
- 17 How satisfied were you with the procedures used to cost cut?
- 18 Overall, how fairly were you treated by the organization?
How fair did you feel the procedures were for implementing the following mandatory cost cutting measures:
- 19 Initial tiered pay cuts
- 20 Plant shutdowns

- 21 Second round of pay cuts (7.5% pay cut with option of days off work or stock)
- 27 Compared to this company, how much do you think other organizations that also went through a cost cutting period, were generally fair in the way they handled their cost cutting process? (R)

Procedural Fairness-Voluntary

How fair did you feel the procedures were for implementing the following voluntary programs:

- 22 Unpaid sabbatical with a twist (\$10,000 bonus for volunteer work or returning to school)
- 23 Unpaid Sabbatical (2mo. - 1yr. off)
- 24 Voluntary Resignation
- 25 Early Retirement
- 26 Reduced work hours

Communication

- 9 Things were brought out in the open without hiding them from employees.
- 10 There was adequate two-way communication between management and employees.
- 11 Management was honest and upright in dealing with employees.
- 12 Management adequately explained the financial situation of the company.
- 13 Information regarding the financial situation of the company was shared in a timely manner.
- 14 Information regarding the cost cutting methods was shared in a timely manner.
- 15 The cost cutting programs were clearly communicated.

Job Alternatives

- 28 Right now, staying with my organization is a matter of necessity as much as desire. (R)
- 29 I feel I have too few options to consider leaving this organization. (R)
- 30 One of the few negative consequences of leaving this organization would be the scarcity of available alternatives. (R)

Affective Commitment

- 31 I would be very happy to spend the rest of my career in this organization.
- 32 I really feel as if this organization's problems are my own.
- 33 I do not feel like "part of the family" at my organization. (R)
- 34 I do not feel "emotionally attached" to this organization. (R)
- 35 This organization has a great deal of personal meaning for me.
- 36 I do not feel a strong sense of belonging to my organization. (R)

Normative Commitment

- 37 I do not feel any obligation to remain with my current employer. (R)
- 38 Even if it were to my advantage, I do not feel it would be right to leave my organization now.
- 39 I would feel guilty if I left my organization now.
- 40 This organization deserves my loyalty.
- 41 I would not leave my organization right now because I have a sense of obligation to the people in it.
- 42 I owe a great deal to my organization.

Intention to Quit

- 43 It is likely that I will actively look for a new job in the next year.
- 44 I often think about quitting.
- 45 I will probably look for a new job in the next year.

Notes. The word "organization" was replaced with the company name in the actual survey

The words "believe that" were substituted for the word "feel" in item 29.

Appendix B

Human Subjects Approval

San José State
UNIVERSITY

**Office of the Academic
Vice President**
Associate Vice President
Graduate Studies and Research

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San José, CA 95192-0025
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To: Susan Jensen

From: Nabil Ibrahim,
AVP, Graduate Studies & Research

Date: March 13, 2002

The Human Subjects-Institutional Review Board has approved your request to use human subjects in the study entitled:

“Cost cutting and how it relates to employee attitudes
during an economic downturn.”

This approval is contingent upon the subjects participating in your research project being appropriately protected from risk. This includes the protection of the anonymity of the subjects' identity when they participate in your research project, and with regard to any and all data that may be collected from the subjects. The approval includes continued monitoring of your research by the Board to assure that the subjects are being adequately and properly protected from such risks. If at any time a subject becomes injured or complains of injury, you must notify Nabil Ibrahim, Ph.D. immediately. Injury includes but is not limited to bodily harm, psychological trauma, and release of potentially damaging personal information. This approval for the human subjects portion of your project is in effect for one year, and data collection beyond March 12, 2003 requires an extension request.

Please also be advised that all subjects need to be fully informed and aware that their participation in your research project is voluntary, and that he or she may withdraw from the project at any time. Further, a subject's participation, refusal to participate, or withdrawal will not affect any services that the subject is receiving or will receive at the institution in which the research is being conducted.

If you have any questions, please contact me at (408) 924-2480.

The California State University:
Chico, Chico State
Colusa, Colusa State
Dominguez Hills, Dominguez Hills State
Hayward, Hayward State
Los Angeles, Los Angeles State
Monterey Bay, Monterey Bay State
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Appendix C

Human Subjects Extension

To: Susan Jensen

From: Nabil Ibrahim,
AVP, Graduate Studies & Research

Date: May 8, 2002

This letter acknowledges that the Human Subjects-Institutional Review Board has received the request for extension of the following proposed study entitled:

“Cost cutting and how it relates to employee attitudes during an economic downturn.”

Since there are no major changes to the protocol, the Human Subjects-Institutional Review Board has granted this project a one-year extension effective from the date of this letter.

If you have any questions, please do not hesitate to contact me at (408) 924-2480.

The California State University:
Chancellor's Office
Eureka, Chico, Stanislaus, Fresno, Fullerton,
Hayward, Humboldt, Long Beach,
Los Angeles, Maritime Academy,
Monterey Bay, Northridge, Pomona,
Sacramento, San Bernardino, San Diego,
San Francisco, San José, San Luis Obispo,
San Marcos, Sonoma, Stanislaus

Appendix D

Table 1

Principal Components Analysis with Varimax Rotation for the Measure of Procedural Fairness of Cost Cutting (N = 434).

Item	Factor 1 Mandatory Cost Cutting	Factor 2 Voluntary Cost Cutting
Initial tiered pay cuts	.90	
Satisfaction with procedures	.86	
Second round of pay cuts	.81	
Overall treatment	.81	
Procedures used to determine cost cutting	.79	
Plant shutdowns	.67	
Fairness of other organizations	.32	
Voluntary resignation		-.93
Unpaid sabbatical		-.93
Early retirement		-.90
Unpaid sabbatical with a twist		-.87
Reduced hours		-.79
Eigenvalue	5.88	2.15
% Variance accounted for	48.99	17.87
Cumulative % variance	48.99	66.86

Table 2

Principal Components Analysis with Varimax Rotation for the Measure of
Communication (N = 457).

Item	Factor 1 Communication
Adequate explanation of financial situation	.83
Management was honest and upright	.83
Timeliness of financial situation	.83
Openness	.80
Timeliness of cost cutting methods	.80
Two way communication	.79
Clarity of cost cutting	.75
Eigenvalue	4.53
% Variance accounted for	64.65

Table 3

Principal Components Analysis with Varimax Rotation for the Measure of Organizational Commitment (N = 442).

Item	Factor 1 Connection	Factor 2 Job alternatives	Factor 3 Obligation
Part of family	.89		
Emotional attachment	.88		
Sense of belonging	.84		
Personal meaning	.81		
Company problems are my own	.71		
Stay entire career	.57		
Owe great deal to organization	.45		.34
Too few options to leave		.90	
Staying is necessity and desire		.83	
Scarcity of alternatives		.79	
Guilty leaving			.94
Leaving not right			.92
Obligation to people			.80
Obligation to company			.55
Organization deserves loyalty	.39		.49
Eigenvalue	6.51	2.15	1.31
% Variance accounted for	43.39	14.30	8.74
Cumulative % variance	43.39	57.69	66.43

Table 4

Principal Components Analysis with Varimax Rotation for the Measure of Intention to Quit (N = 459).

Item	Factor 1 Intention to quit
Probably look for a new job in the next year	.96
Actively look for new job in the next year	.94
Often think about quitting	.85
Eigenvalue	2.53
% Variance accounted for	84.43

Table 5

Descriptive Statistics and Bivariate Correlations (N = 457).

Variable	Mean	S.D.	1	2	3	4	5	6	7
1 Procedural Fairness-Mandatory Cost Cutting	5.94	0.86	.86						
2 Procedural Fairness-Voluntary Cost Cutting	5.77	1.13	.48 ***	.93					
3 Communication	6.10	0.79	.69 ***	.54 ***	.91				
4 Perceived Job Alternatives	3.71	1.57	.09	.07	.13 **	.78			
5 Affective Commitment	5.47	1.18	.50 ***	.36 ***	.51 ***	.18 ***	.89		
6 Normative Commitment	4.70	1.31	.43 ***	.25 ***	.41 ***	.09 *	.69 ***	.88	
7 Intention to Quit	2.27	1.43	-.45 ***	-.29 ***	-.42 ***	-.17 ***	-.64 ***	-.55 ***	.91

***p<.001, **p<.01, * p<.05

Notes. Reliability coefficients in bold.

Response options for procedural fairness variables are on a Likert type scale ranging from (1) very unfair to (7) very fair.

Response options for all other scales are on a Likert type scale ranging from (1) strongly disagree to (7) strongly agree.

Table 6

Hierarchical Moderated Regression Analysis Predicting Intention to Quit (N = 458).

Predicting Intention to Quit		
	Predictors	β ΔR^2
Step 1	Procedural Fairness-Mandatory Cost Cutting	-.39*** .22***
	Procedural Fairness-Voluntary Cost Cutting	-.09
	Job Alternatives	-.13**
Step 2	Procedural Fairness-Mandatory * Job Alternatives	.01
	Procedural Fairness-Voluntary * Job Alternatives	

*** $p < .001$, ** $p < .01$

Note. β s are reported after all main effects have been entered.

Table 7

Hierarchical Moderated Regression Analysis Predicting Intention to Quit (N = 458).

Predicting Intention to Quit			
Predictors		β	ΔR^2
Step 1	Communication	-.40***	.19***
	Job Alternatives	-.12**	
Step 2	Communication * Job Alternatives		.00

*** $p < .001$, ** $p < .01$

Note. β s are reported after all main effects have been entered.