

How to preserve employee morale during cost-cutting

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After cutbacks and layoffs, remaining employees were more likely to feel they were treated fairly if the companies invested in them—and morale was less likely to plunge, according to new research.

Those investments can include training for workers, team-building exercises or improving [company](#) culture. Even keeping workloads manageable after layoffs can help employees' job attitudes, according to the *Journal of Organizational Behavior* study.

"Whenever possible, cost-cutting is best combined with signals that people remain the firm's most prized asset," said Jeff Joireman, the study's co-author and a professor in Washington State University's Carson College of Business.

Researchers reviewed 137 previous studies examining job attitudes before, during and after cost-cutting events or people-focused investments. By focusing on [longitudinal studies](#) that followed employees for up to two years after the events, they were able to document persistent changes in attitudes.

Layoffs, offshoring and other cost-cutting measures affect morale longer than most companies realize, according to Joireman and his co-authors from Vrije University in Amsterdam and Brussels.

For at least two years after the cost-cutting event, workers reported reduced [job satisfaction](#) and less loyalty toward the organization—with implications for the firms' productivity and employee turnover.

Cost-cutting measures shook up the employer-employee relationship, researchers found. Workers felt their employer had treated them unfairly, didn't care about them and had broken promises. Upgrading technology to reduce costs was the exception, generating a positive response from employees.

Investments in workers, on the other hand, led to employees feeling cared for and valued by their organizations, resulting in lasting improvements in job attitudes.

When investing in workers was combined with cost-cutting, employee job attitudes remained relatively stable over time. Company support for workers after downsizing was perceived as helping reestablish the employee-employer bond, the researchers found.

Joireman said the study's findings challenge assumptions that shifts in job attitudes are temporary.

"The prevailing [attitude](#) is that cost-cutting is really bad for employees' attitudes in the short-run, but in the long-run, [employee](#)'s attitudes will return to the baseline," he said.

Without this kind of analysis, firms remain in the dark about the negative effects of cost-cutting over the long haul, and whether people-oriented interventions provide lasting benefits, Joireman added.

More information: Omar N. Solinger et al, Change in unit-level job attitudes following strategic interventions: A meta-analysis of longitudinal studies, *Journal of Organizational Behavior* (2021). [DOI: 10.1002/job.2523](#)

Provided by Washington State University

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