

Is job insecurity really the great motivator some managers believe it is? We crunched the numbers to find out

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Former General Electric chief executive [Jack Welch](#) famously promoted the "20-70-10" system to increase labor productivity. Managers were

asked to rank employees on a bell curve; the top 20% received rewards, while the bottom 10% were fired.

Yahoo, Amazon and IBM, among many others, later adopted this performance review approach, termed stack ranking, forced ranking or "[rank-and-yank](#)." [Similar practices](#)—termed "up or out"—dominate law firms, accounting firms, the military and professional sports teams.

The goal of "rank-and-yank" is to stimulate subordinates' work performance by creating the constant threat of job insecurity. It's a fairly ruthless way to improve the bottom line, but some employers might find it justifiable if it worked. So does it?

[Our research](#) reveals the answer depends on the level of job insecurity and the performance criteria in question. But the overall answer might not please fans of the late Jack Welch.

Insecurity and performance outcomes

Researchers disagree about the effects of job insecurity on work performance. Some focus on the [adverse consequences](#) of job insecurity, while others spotlight its [potential motivating](#) function.

Researchers at the University of Auckland and the University of Texas at San Antonio theorized that the impacts of job insecurity depended on its level of severity and the specific types of work performance that were considered.

Given no single empirical study can adequately address this question, the best way to understand it is to conduct a meta-analysis.

Based on data from over a hundred studies into "rank-and-yank" we concluded that Welch was both right and wrong.

Insecurity as motivation?

We observed that when job insecurity is extremely high, [employees](#) do increase their performance and the types of behaviors that are explicitly recognized by the formal reward system.

Similarly, employees also take on tasks that are beyond their formal duties but are beneficial to organizational productivity and visible to managers. Such tasks may include attending non-required meetings, sharing informed opinions to solve work problems, and volunteering for overtime work when needed.

This appears to be good news. But such "motivating" effects of job insecurity are very weak (albeit statistically significant), with very few practical implications in the real world.

Thus, the job insecurity associated with a "20-70-10" approach is less of a motivating factor for workers than Welch might have hoped for. Additionally, as job insecurity increases, employee creativity declines—and then flattens out.

Employees' creativity, or their ability to generate innovative and practical ideas or solutions, can contribute to an organization's success and is therefore highly valued by organizations.

Moreover, employees facing low to moderate levels of job insecurity decrease behaviors that may benefit their colleagues, such as lending a hand when needed.

Taken together, extremely high job insecurity does not contribute to employee creative performance or "good citizenship" in the workplace.

An unsafe work environment

The data also revealed a link between job insecurity and a decline in employee safety performance.

Safety performance includes wearing safety gear, following safety protocols and communicating safety concerns to managers. These measures are critical to prevent employee injuries and on-site accidents.

20 years later, a fascinating reevaluation of Jack Welch's tenure as [#CEO](#) of [@generalelectric](#) describes a trail of destructive practices ("rank & yank") and distrust, & labels him as "the man who broke capitalism" [@dgelleshttps://t.co/BfSs9iiGfI pic.twitter.com/hgkSrnCNML](#)

— Julian Barling (@JulianBarling) [June 2, 2022](#)

Job insecurity also consistently increases the likelihood that employees engage in destructive behaviors that harm the organization, including calling in sick when not ill and destroying or stealing company property.

Overall, considering the [overwhelmingly negative effects](#) of job insecurity on employee attitudes, organizational commitment, health and well-being, the small, positive, motivating effect of increasing job insecurity may not be worth it.

Uncertainty and productivity

Considering New Zealand's poor productivity output, it is worth managers considering how they can effectively motivate workers.

According to the [Productivity Commission](#), New Zealanders worked

34.2 hours per week and produced NZ\$68 of output per hour. Yet in other OECD countries, employees worked 31.9 hours per week and produced \$85 of output per hour.

So, finding ways to increase employee performance is important. But, considering the data, using a "stick" of job insecurity is unlikely to achieve it.

With the threat of job loss, employees are likely to engage in "[quiet quitting](#)." Employees will also refuse to go the extra mile and instead are more likely to only do the minimum required.

Considering the current low unemployment rate ([below 5%](#)) and the "[great resignation](#)" trend that emerged after COVID-19, employers need to think twice before using job [insecurity](#) as a motivator. People may simply find an alternative employer that treats them with a "carrot."

Retaining talent and increasing productivity requires offering employees better wages, opportunities for training and career advancement, greater control over their work, and more decision-making opportunities.

Essentially, employers should treat employees the way they want to be treated themselves. After all, as studies have shown, a happy employee is a [productive employee](#).

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