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Organizational Downsizing During an Economic Crisis: Survivors' and Victims' Perspectives

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The recession that began in 2007 resulted in organizational retrenchment strategies focused on workforce reductions. In order to successfully emerge from this crisis and sustain long-term viability for their organizations, managers needed to reengage surviving employees and minimize the potential for retaliatory behavior by the victims of the downsizing activities. An understanding of the perceptions of both survivors and victims is critical when managers implement downsizing and recovery strategies. The psychological contract and attribution theory were used to examine employee perceptions post downsizing. The variables of interest in this study include employee perceptions related to organizational communication; understanding and agreement with organizational strategy; local management's involvement in downsizing decisions; management responsiveness to employee needs; perceived fairness; optimism about the future of the company; and job security. A survey of 540 adults registered in an accelerated bachelor's of business administration program during 2009 completed a downsizing survey designed for this study. This study found perceptual differences between the survivors and victims related to corporate management's responsiveness to employee needs during downsizing; the fairness of the layoff decisions; managements' favoritism in the layoff decisions; employee optimism about the future of the organization; and employee nervousness about job security. *Organization Management Journal*, 10: 227–239, 2013. doi: 10.1080/15416518.2013.859057

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INTRODUCTION

The global economic crisis that unfolded over the last several years has been characterized as the worst since the Great Depression. During the years 2007–2009, unemployment rose by 8.2 million people and the unemployment rate grew by 5.1% (Bureau of Labor Statistics, 2009). This economic crisis elicited organizational responses focused on cost-cutting strategic initiatives that included employee layoffs. As organizations emerge from the recession, they will have to deal

with the residual effects of their actions. One area of concern is employee engagement, “people’s willingness and ability to provide discretionary effort on the job” (Towers Watson, 2010, p. 20). A survey of 13,000 full-time workers conducted by the global consulting firm Watson Wyatt in 2009 found that employee engagement levels for workers from surveyed companies dropped 9% over the prior year, with a 25% drop among the companies’ top performers (Watson Wyatt, 2009). Gakovic and Tetric (2003) maintain that the foundation of the employment relationship is based on employee perceptions of the reciprocal obligations between employers and employees. Researchers (Cavanaugh & Noe, 1999; Inkson & King, 2011; Morrison & Robinson, 1997) report that employee perceptions of an employer’s failure to fulfill such obligations is a breach of the psychological contract and can lead to employee discontent and disengagement. Those laid off who perceive a breach of contract may engage in retaliatory behaviors (Konovsky & Folger, 1991), especially if they attribute the lay-off decision to forces outside their control. Therefore, understanding employee perceptions of organizational actions taken during a downsizing event is important in avoiding or mitigating perceptions of a breach of the psychological contract.

Unlike prior research on downsizing, the economic crisis of 2007–2009 provides a unique context in which to study the perceptions of employees, both those retained (survivors) and those laid off (victims) by organizations. In particular, the severity of this unprecedented recession has implications with respect to how employees perceive management actions, the fairness of decisions, the attribution of blame, their job security, and their futures. In this study, we compared the perceptions of survivors and victims related to their company’s downsizing actions during the period of the economic crisis of 2007–2009 using a psychological contract perspective and attribution theory.

THE PSYCHOLOGICAL CONTRACT, ATTRIBUTION, AND DOWNSIZING

Employee perceptions, the process of receiving and interpreting information (Bateman & Snell, 2009), create a psychological contract with organization.

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A psychological contract is commonly defined as an employee's belief about the reciprocal obligations between that employee and his or her organization, where these obligations are based on the perceived promises and are not necessarily recognized by agents of the organization. (Morrison & Robinson, 1997, p. 229)

If employee beliefs post downsizing do not align with their "psychological contract" with the organization, a perceived breach of that contract may result.

Consistent with previous researchers, we define downsizing as an intentional management strategy that is purposively undertaken to reduce organization personnel (Applebaum, Everard, & Hung, 1999; Cameron, 1994; Cameron, Freeman, & Mishra, 1991; Cascio, 1993; Freeman & Cameron, 1993). Those retained by the organization post downsizing are referred to as survivors (Brockner, 1990; Cascio, 1993; Mishra & Spreitzer, 1998) and may suffer from survivor guilt, which can impact their performance and productivity (Brockner et al., 1986). Their behavioral responses may be mitigated by their perceptions of the fairness of organizational processes and procedures (Brockner & Siegel, 1996; Gandolfi, 2009). If, however, survivors view the treatment of victims as unjust or unfair, survivors' organizational commitment may be adversely affected (Brockner, 1990) and they may view the downsizing as a breach of the psychological contract, thereby reducing performance and weakening their intention to remain with the organization (Robinson, 1996). Further, organizational changes such as downsizing may have implications with respect to aggression in the workplace (Baron & Neuman, 1998). Perceived injustice may lead to sabotage (Ambrose, Seabright, & Schminke, 2002), hostility, obstructionism, or aggression (Baron & Neuman, 1998). In addition to the perceptions of survivors, it is important that managers understand the perceptions of the victims, those employees laid off during an organizational downsizing (Leana & Ivancevich, 1987; Spreitzer & Mishra, 2002). Such understanding is important in protecting the reputation of the firm and preventing retaliatory behaviors, such as the initiation of lawsuits against employers, by those being forced to leave the company (Konovsky & Folger, 1991; Lind, Greenberg, Scott, & Welchans, 2000). The victims may blame managers for their loss of position and engage in harassment and sabotage activities (Kets de Vries & Balazs, 1997) based on such feelings as anger (Allred, 1999) or a desire for retaliation (Pillutla & Murnighan, 1996) or revenge (Aquino, Tripp, & Bies, 2001). Research also suggests that the victims' perceptions of the breach of the psychological contract associated with downsizing affect their attitudes toward new employers (Pugh, Skarlicki, & Passell, 2003). These perceptions not only influence the formation of a new psychological contract in reemployment, but have productivity implications for the employers that hire victims (Devine, Reay, Stainton, & Collins-Nakai, 2003).

Attribution theory, as developed by Weiner (1985, 1986), is focused on the perceived causes of specific outcomes. Causal attributions are subjective and influence behavioral reactions to

those outcomes (Weiner, 1985). According to Weiner (1985, 1986), the three characteristics of perceived causes of an outcome include location or locus (the cause is internal or external), controllability (controlled by the individual or outside the control of the individual), and stability (causes that are enduring or unstable). The perceptions of victims and survivors may be influenced by these causal attributions.

Given the loss of jobs suffered by victims during a downsizing event, the perceived breach of the psychological contract appears to be a logical consequence. Survivors may be less likely to perceive a breach of contract. Victim and survivor causal attributions related to the outcome of the downsizing event, specifically, being laid off or retained by the organization, may influence the extent of such differences. Although there is extensive research on survivors and victims, there are few studies that directly compare the perceptions of the two groups or examine such perceptions in the context of an unprecedented global economic crisis. This study explores the differences and similarities of survivors' and victims' perceptions and attributions related to organizational downsizing that occurred during the economic recession of 2007–2009.

CORPORATE COMMUNICATION

Open Lines of Communication

Effective communication with employees is critical during a downsizing event (Bies & Moag, 1986; Fisher & White, 2000; Greenberg & Lind, 2000). Open and fair communication has important implications with respect to survivors' reengagement and the development of good employee relations post downsizing (Kim, 2009). Skarlicki, Barclay, and Pugh (2008) hold that providing adequate and timely explanations to employees mitigates retaliatory activities related to perceptions of unfairness. Such explanations not only acknowledge the fact that employees are worthy of recognition and dignity (Bies & Moag, 1986) but also facilitate employees' commitment to strategic change (Gagnon, Jansen, & Judd, 2008). If the lines of communication are broken during downsizing, an organization's ability to learn and adapt to the changing environment is disrupted (Fisher & White, 2000). This is particularly important when organizations attempt to move downsizing survivors in a new strategic direction. Tourish, Paulsen, Hobman, and Bordia (2004) found that frequent and timely communication that clearly explains the need for downsizing is vital for maintaining the commitment of the survivors. Given the importance of communication for the reengagement of survivors post downsizing, management may tend to devote greater effort informing survivors than victims, and therefore, survivors may perceive more open lines of communication.

Informational justice, which relates to the amount of information and the manner in which it is provided (Bies & Moag, 1986; Greenberg, 1993), may influence perceptions of fairness during a downsizing event. Victims' perceptions of a lack of fairness in the provision of information may contribute to a

perceived breach of the psychological contract. Victims who perceive a breach of the psychological contract and attribute blame to management for their layoff may perceive a lack of open and fair communication during the downsizing process.

Since open and honest communication with employees is important during and after the downsizing event to promote trust (Mishra, Spreitzer, & Mishra, 1998), managers may tend to give greater attention to effective communication designed to foster trust and reengage survivors than to communicating with victims. Further, victims who attribute blame for their job loss to corporate-level management may perceive inadequacies in the information provided by those managers. This suggests that survivor perceptions of corporate-level management communication will differ from those of victims and that survivors are more likely to perceive open lines of communication.

H1: Survivors are more likely than victims to perceive open lines of communication with corporate level management.

Corporate Strategy

It is important for employees at all levels of the firm to know where their contribution fits into the strategy of the firm (Dooley, Fryxell, & Judge, 2000; Gagnon et al., 2008; Noble & Mokwa, 1999) as a part of their psychological contract with the organization. The effective management of the linkage between business strategy, human resource practices, and the psychological contract is important in shaping employee performance, retention, cooperation, and customer responsiveness (Rousseau & Wade-Benzoni, 1994). Dolan, Belout, and Balkin (2000) reported that where a company had a clear, well-specified, scheduled downsizing plan, the impact on survivors was buffered. This suggests that organizations may tend to expend more effort in communicating this strategy to survivors in an effort to reengage these employees and buffer the negative impact on of the downsizing event. Therefore, it is more likely that survivors will understand the strategy related to the downsizing event than will those laid off by the organization.

H2a: Survivors are more likely than victims to indicate that they understand the broad strategy of their organization.

Given that employee understanding of strategy and commitment to strategy are correlated with successful implementation of strategy (Dooley et al., 2000), management may focus its efforts on gaining surviving employee commitment to the strategy. Employees who attribute their survival to an internal cause, such as personal ability, are more likely to experience enhanced self-esteem (Weiner, Russell, & Lerman, 1978) and may see themselves as integral to the organization's strategy. This suggests that survivors, therefore, are more likely than victims to agree with the strategy. Conversely, victims who attribute the cause of the downsizing and their layoff to managements' decisions and strategies may be less likely than survivors to agree with the broad strategy of the organization.

H2b: Survivors are more likely than victims to agree with their organization's broad strategy.

RESPONSIVENESS TO EMPLOYEE NEEDS

Corporate-Level Responsiveness

In a study of service employees, Bettencourt and Brown (1997) found that employee satisfaction is a product of the fairness of job supervision and pay and promotion rules, as well as the supervisor's administration of these rules. Of particular importance to the psychological contract is the employees' perception of management's responsiveness to their needs in the supervision and administration of the rules.

During downsizing, management's attention to survivor needs is essential in moving the organization forward toward new strategic objectives and in avoiding dysfunctional and disruptive survivor behaviors (Isabella, 1989). Caudron (1996) found that attention to the counseling and training needs of the survivors had a positive impact on an organization's post-downsizing results. Additionally, survivors' responses to downsizing are affected by their perceptions of managements' responsiveness to the needs of the victims (Schwieger & Ivancevich, 1987). According to Greenberg (1990), survivors are more committed to the organization post downsizing when they perceive that the needs of the terminated employees are adequately met.

Bayer (2000) noted that the way people are laid off is critically important to an organization's reputation and its vulnerability to retaliatory behaviors of the victims. In particular, perceptions of management responsiveness to victims' needs are related to both their treatment during the layoff process and the provision of support as the victims transition out of the organization. Cameron (1994) indicated that such support should extend beyond the required severance pay and should include counseling, retraining, outplacement services, adequate lead time, and financial benefits.

Given the magnitude of the economic crisis of 2007–2009, the ability of organizations to provide generous severance packages, career counseling, and outplacement services may have been limited by financial constraints and the absence of external employment opportunities. This suggests that victims facing rising unemployment rates may perceive inadequacies in management's response to their needs. Further, the fact that survivors kept their jobs, while the victims did not, suggests that survivors will more favorably perceive management responsiveness to their needs. Employees who attribute their survival to help from the organization may experience gratitude expressed through increased trust and loyalty (Hareli & Tzafirir, 2006) and more favorably perceive corporate management's responsiveness to their needs than do victims.

H3a: Survivors are more likely than victims to favorably perceive corporate management's response to the needs of employees.

Direct Supervisor Responsiveness

Direct supervisors play an important role in maintaining the psychological contract between subordinates and the organization (Rousseau, 1995). Employee relationships with direct supervisors are particularly important in maintaining the morale and commitment of employees during an economic downturn (Brotherton, 2010). Those who kept their jobs are more likely than victims to perceive supervisory responsiveness to their needs. Further, survivors who attribute the retention of their jobs to help from another person may react with gratitude (Hareli & Tzafrir, 2006). If that person is their supervisor, survivors may be more likely than victims to perceive supervisor responsiveness to their needs.

H3b: Survivors are more likely than victims to favorably perceive their direct supervisor's response to the needs of the department's employees.

FAIRNESS: THE DECISION AND THE PROCESS

Fairness of the Decision

There are two perspectives to consider when examining the fairness of the downsizing event: the decision itself and the process by which it is implemented. Contrary to the traditional psychological contract, layoff perceptions during a severe economic downturn are problematic because victims can lose their jobs even though they have been faithful and productive employees. Employees may engage in retaliatory behaviors if those behaviors are viewed as a way to restore the balance of equity and cope with the negative emotions they feel in regard to the layoff (Allred, 1999; Bies & Tripp, 2002). Victims' retaliation and accompanying behaviors can have a negative effect on the image and reputation of the organization (Konovsky & Folger, 1991).

The fairness of the decision, or perceptions of procedural justice, can impact both employees' affective commitment and their level of job satisfaction (Hendrix, Robbins, Miller & Summers, 1998; Hopkins & Weathington, 2006). Employees who thought they had been treated unfairly might respond with reduced job performance, increased withdrawal behaviors (Colquitt, Conlon, Wesson, Porter, & Ng, 2001), or other retaliatory activities that take the form of disloyalty, disaffection, increased absenteeism, and acts of sabotage (Guiniven, 2001).

Interpersonal fairness, which relates to perceptions that employees are treated with dignity and respect, is also important in understanding employee perceptions of downsizing (Bies & Moag, 1986; Greenberg, 1993). Layoffs can bring into question the employer's integrity related to the execution of employment decisions as perceived by the employees in their psychological contracts. The concepts of integrity, trust, and justice are related to both the perceived fairness in management's downsizing decisions and the equitable or inequitable selection of layoff victims.

Employer integrity related to the downsizing decision itself might be perceived differently by victims and survivors. Victims may perceive the decision to be unfair and question whether they should have ever trusted their employer's integrity (Uchitelle, 2006). Since the outcome for the victims was the loss of their jobs and they may perceive that this outcome was outside their control, victims may be more likely to believe that the decision was unfair. Survivors may perceive that the company's ability to stay afloat during the economic crisis, insuring their continued employment, was predicated on the decision to lay off other employees. Therefore, they may be more likely than victims to perceive that the decision to downsize was fair.

H4a: Survivors are more likely than victims to perceive management's decision to lay-off employees as fair.

Management Favoritism

Since survivors were not among those selected to be laid off, they may be less likely than victims to perceive favoritism in management's selection of employees for layoff. In line with Weiner's (1986) theory of attribution, survivors who attribute their continued employment to their own ability or effort are more likely to believe that the choice of victims was fair. Victims who attribute their job loss to factors outside their personal control may tend to perceive a lack of fairness in their selection (e.g., a show of favoritism). The cause of their lay-off was not internal, specifically, personal ability or effort, and therefore the decision was unfair. Survivors who believe that the cause of the positive outcome, retention by the organization, was internal will be more likely to perceive fairness of the decision because their own ability was the reason for their survival.

H4b: Survivors are more likely than victims to believe that management was fair in the selection of individual employees who were laid off.

All Levels Included

Research indicates that people are more likely to assign blame to upper level management when there is a failure event (Gibson & Schroeder, 2003). If blame rises in organizational hierarchy, those laid off would expect that at minimum all levels be included in the layoff. Victims may view downsizing as a failure event in which upper level management was to blame but did not suffer the appropriate consequences. On the other hand, survivors who attribute their successful job retention to their own ability may perceive that survivors at all hierarchical levels were retained based ability or skills. Therefore, they may be more likely than victims to perceive that the layoffs were fairly administered across all levels of the organization.

H4c: Survivors are more likely than victims to believe that all levels of management were included in the layoff.

Decision Level

Employees interact with their direct supervisors more than with any other management level. Rousseau (1995) argues that supervisors play an especially meaningful role in maintaining the psychological contracts between subordinates and the organization. Choi (2011) notes that "When employees perceive fair and equal treatment in the relationships with their immediate supervisor they are more likely to trust them" (p. 198). Front-line manager engagement is important to employee morale, commitment, and retention during an economic downturn (Brotherton, 2010), and their relationship is pivotal in moving forward with successful change programs post downsizing (Gilley, McMillan, & Gilley, 2009).

An important dimension of the social exchange between supervisors and employees is the employee's perception of the role of the supervisor in the downsizing decision. Horvath and Andrews (2007) found an interaction between blame attributions and fairness perceptions. The result was a positive reaction to supervisors who were seen as free of blame and who were perceived as fair. An understanding of how both survivors and victims perceive local management's role in the downsizing decision and their perceptions of the manager's attitudes toward downsizing are important from both the survivors' and victims' perspectives. Tzafir, Nano-Negron, Harel, and Rom-Nagy (2006) propose that survivors who attribute their retention to help from another are expected to experience gratitude toward that person. Given that survivors may perceive that their immediate supervisors protected them from the layoff, they may be more likely than victims to believe that local management made the decision. Victims, on the other hand, may attribute blame for their job loss to higher level managers (see Gibson & Schroeder, 2003).

H5a: Survivors are more likely than victims to believe that local management made the layoff decisions.

Those entrusted with the actual downsizing activities are called executioners (Gandolfi, 2008). Some individual executioners in a large Australian bank reported that they felt dishonest, anxious, upset, and uncomfortable with their downsizing responsibilities (Gandolfi, 2008). One possible explanation for negative feelings experienced by executioners toward their downsizing responsibilities could be that they believe that they are letting their employees down by committing a breach of contract. Survivors have an opportunity to witness these types of manager emotional responses to layoffs post downsizing and therefore would be more likely than victims to perceive that managers were unhappy.

H5b: Survivors are more likely than victims to perceive that managers seemed unhappy to lay off employees.

EMPLOYEE HOPE AND FEAR

Optimism

By keeping a positive orientation, managers can foster optimism among their employees (Rich, 1999). Peale (1956)

described optimism as an individual's belief in positive outcomes in the face of uncertainty. Research suggests a positive link between employee optimism and their level of individual performance (Green, Medlin, & Whitten, 2004; Jensen, Luthans, Lebsack, & Lebsack, 2007; Luthans, 2002; Medlin & Green, 2008; Seligman, 1990). While there is no specific evidence connecting employee optimism to the psychological contract, there is evidence to suggest that optimism plays a role in the acceptance of change (Wanberg & Banas, 2000).

There are two types of optimism, dispositional optimism and situational optimism. Dispositional optimism is a trait-level variable and refers to expectancies that good things, rather than bad things, will generally happen (Fosnaugh, Geer, & Wellman, 2009). Situational optimism, on the other hand, varies across situations (Fosnaugh, Geers, & Wellman, 2009). Managers cannot change a person's natural disposition, but can establish an environment that supports positive outcome expectancy. Tzafir et al. (2006) found that job counseling and retraining programs contributed to a positive attitude and optimism on the part of downsizing victims. However, during this severe economic downturn, the organization's inability to supply dismissed workers with such services, coupled with the rise in unemployment rates, likely restricted the availability of job counseling and retraining services and increased the anxiety of victims.

Using Weiner's (1986, 1995) theory of attribution as a framework for analyzing the emotions of survivors of downsizing, Hareli and Tzafir (2006) suggest that survivors who attribute their job retention to their own ability are expected to experience hopefulness. These survivors are more likely to be hopeful and optimistic about the future than victims, who may perceive that their layoff was something outside of their control.

H6: Survivors are more likely than victims to be optimistic about the organization's future.

Job Security

Survivors' fear of future downsizing has important implications for organizational performance and productivity (Brockner, Grover, Reed, Dewitt, & O'Malley, 1987). Job security affects trust and perceptions of the psychological contract with the organization (Jaffe & Scott, 1998). While organizational restructuring can be very traumatic for those affected by downsizing, some employees progress better than others after the layoffs (Armstrong-Stassen, 1994). Orpen (1993) argued that working in an insecure job as opposed to a secure one does not necessarily mean that increased levels of anxiety and depression will be present. The critical aspect appears to be whether or not the employee views the changes within the organization as a threat or an opportunity (Dewettinick & Buyens, 2002).

Given the high levels of uncertainty and the substantial personal implications of layoffs, survivors may be inclined to attribute the retention of their jobs to luck (Hareli & Tzafir, 2006). Luck is something that is outside the control of the individual and is seen as the cause of an outcome, in this case survival of the layoff, that is not attributable to personal factors

or stable situational forces (Weiner et al., 1971). Survivors who attribute their survival to luck are expected to experience fear of future layoffs (Hareli & Tzafir, 2006). Attributing a positive outcome to luck often occurs when the negative alternative outcome is close at hand (Hareli & Tzafir, 2006; Teigen, 1997). Given the extent of the economic crisis and volatility of the external environment in 2008, as well as the personal implications of potential job loss during this period of mass unemployment, survivors may have attributed their survival to luck. This suggests that survivors may be more likely than victims to perceive nervousness related to job security.

H7: Survivors are more likely than victims to perceive that employees are nervous about job security.

METHODOLOGY

All variables tested in this study were categorical and measured at the nominal level. We calculated: (1) a 2×2 contingency table and the column (agree or disagree) and row (survivor or victim) percentages in that table (crosstabs), (2) the chi-squared statistic to test for independence, and (3) the strength of the relationship between the variables as measured by phi.

While the sample is large, we used the chi-squared test of independence and phi because of the bivariate nature of the variables (Andrews, Klem, Davidson, O'Malley, & Rodgers, 1981). Since the chi-squared statistic does not indicate the strength of the relationship, the phi statistic was used to measure the level of association. In this study a phi statistic between 0 and $\pm .19$ indicated a weak relationship; between $\pm .20$ and $\pm .59$ can be considered moderate; and between $\pm .60$ and ± 1.00 is considered strong.

Sample

Five hundred and forty nontraditional undergraduate students from a small college located in eastern North Carolina participated in the survey. Twenty-seven percent or 148 respondents worked in organizations that had recently experienced a downsizing event and are the focus of this study. All the students were adults and were employed or had been employed in the 2 years prior to the study. The respondents represented different industries and employers. As adults the sample was similar in age and employment diversification to the alumni sample used by Sronce and McKinley (2006). The students were invited to participate in the study via their official e-mail addresses provided by the college. This is an active methodology of calling on potential respondents to participate (Birnbaum, 2004; Rhodes, Bowie, & Hegenrather, 2003). Participants were asked to complete a survey that specifically addressed employee perceptions related to organizational changes caused by the current recession. We categorized the respondents as survivors or victims by asking them two questions. First, we asked whether they had lost their job in the last 2 years, and second, whether there was a downsizing at the time they were laid off. The survey was

administered with the assistance of a commercial Internet survey company that allowed participants to anonymously submit their responses, and controlled for multiple submissions.

RESULTS

A summary of the 148 respondents' characteristics (Table 1) shows that 16% were not working at the time they completed the survey, 8% held one or more part-time jobs, 64% had full-time jobs, and the remainder (12%) held a combination of full- and part-time jobs. Table 1 also shows that 3% of respondents worked for themselves and the remainder worked for various types of employers, including publicly traded companies (26%), privately owned businesses (18%), government agencies (17%), educational institutions (17%), family-owned businesses (10%), and nonprofits (9%). Annual earnings ranged from under \$20,000 to over \$60,000. Of the respondents, 48% were hourly employees, 33% were salaried nonmanagerial, and 19% held management positions. Respondents were 65% female and 35% male. Preliminary testing indicated no significant differences in participants responses related to their gender or employee category.

As shown in Table 2, a larger percentage of survivors (70%) than victims (59%) agree with the statement that corporate-level management maintains open lines of communication with employees. While more survivors than victims agreed that there were open lines of communication with corporate-level management, the difference was not statistically significant. Survivors and victims also indicate the same level of understanding (H2a), 68% and 66% respectively, and agreement with the broad strategy of the organization (H2b), 55% of both groups.

A significant difference, however, was found between survivors and victims related to their perception of corporate management's responsiveness to the needs of the employees, indicating support for H3a. The results show that 74% of survivors and only 49% of victims indicated that corporate management was responsive to the needs of employees. The chi-squared result (9.125) is significant at the .01 level and the phi (-0.248) indicates that there is a moderate level of association between being laid off and employee perceptions of corporate management's responsiveness. However, no difference was found between the perceptions of survivors (71%) and victims (59%) related to their direct supervisor's response to the needs of the department's employees (H3b).

H4a was supported; 76% of survivors indicated that management's decision to lay off employees was fair, but only 52% of victims perceived that the decision was fair. The chi-squared result (6.268) was significant at the .01 level and the phi (-0.209) shows a moderate association between job loss and the perceived fairness of the downsizing decision. Furthermore, a significant relationship between job loss and the perception that management showed favoritism in the downsizing decision was found (H4b). In this case, the victims were more likely (52%) than the survivors (26%) to agree that management

TABLE 1
Current work situation of sample respondents

	Percentage
Position(s) held	
Not working now	16
One or more part-time jobs	8
Full-time job	64
Full-time and part-time jobs	12
	<hr/> 100
Employer	
Self-employed	3
Family owned business	10
Privately owned business	18
Publicly traded business	26
Government—all levels	17
Education—all levels	17
Not-for-profit organization	9
	<hr/> 100
Category	
Hourly	48
Salary—non-management	33
Management	19
	<hr/> 100
Annual earnings	
Under \$20,000	12
\$20,001 to \$40,000	52
\$40,001 to \$60,000	25
Over \$60,000	11
	<hr/> 100
Gender	
Male	35
Female	65
	<hr/> 100

showed favoritism in the selection of layoff victims. However, H4C was not supported since there was no significant relationship between the perceptions of survivors (58%) and victims (55%) related to the inclusion of all levels of management in the layoff.

While there was not a significant relationship between job loss and perceptions related to local management's role in the layoff decision (H5a), a significant difference between survivors and victims perceptions related to their manager's unhappiness in laying off employees was found (H5b was supported), with 77% of survivors indicating that they thought that managers seemed unhappy to lay off employees and only 52% of victims indicating this perception. The chi-squared result was significant at the .01 level and the phi result indicated a moderate association (-0.228) between survivors and victims related to

their perception of the managers' unhappiness with laying off employees.

A weak association (chi squared, 3.822; phi, -0.161) was found between the survivors and victims related to their optimism about the company's future (H6) as indicated by survivors' (74%) and victims' (55%) responses. Also, a moderate relationship between the job loss variable and employee nervousness about job security (H7) was found (chi squared, 6.340; phi, 0.206). Ninety-three percent of victims indicated that employees were nervous about their jobs, while only 70% of survivors indicated the same. These results indicate a difference between the groups related to perceptions of employee job security, with victims perceiving greater employee nervousness about job security.

DISCUSSION

Given the potential negative behavioral outcomes associated with a perceived breach of the psychological contract that may occur during a downsizing event, understanding employee perceptions post downsizing is important for current and future employers of both victims and survivors. The purpose of this research was to investigate the perceptions of employees of downsized organizations related to organizational communication; understanding and agreement with organizational strategy; local management's involvement in downsizing decisions; management responsiveness to employee needs; perceived fairness; optimism about the future of the company; and job security using psychological contract and attribution theories.

Unlike previous studies, we examined the perceptions of both survivors and victims related to organizational downsizing during a severe economic downturn. The unique context for this study, the economic crisis of 2007–2009, distinguishes it from other downsizing research conducted during less volatile economic times. We examined survivors and victims of companies forced into downsizing during this severe recession and found perceptual differences between the survivors and victims in six hypotheses: corporate management's responsiveness to employee needs during downsizing; the fairness of the layoff decisions; management favoritism in those decisions; local management's unhappiness in making layoff decisions; employee optimism about the future of the organization; and employee nervousness about job security.

Corporate responsiveness to employee needs was perceived more strongly by survivors than victims. This could indicate that layoff policies during the economic crisis did not include substantial severance packages or services for the victims as had been awarded in the past. During this period, corporate management may have been more concerned with reengaging survivors and less apt to develop programs for those exiting the organization. Managers may have focused on keeping their companies afloat and therefore spent less time attending to the needs of those laid off. These findings also support the Hareli and Tzafir (2006) proposition that survivors who perceive that

TABLE 2
Employee perceptions ($N = 148$)

Survey statements soliciting agree or disagree responses	Percent that agree		Chi-square	Phi	Related hypothesis
	Victims $n = 27$	Survivors $n = 119$			
Communication					
Corporate level management maintains open lines of communication with employees.	59%	70%	1.317		H1
The employee understands the organization's broad strategy.	66%	68%	0.069		H2a
The employee agrees with the organization's broad strategy.	55%	55%	0.003		H2b
Employee needs					
Corporate management responds to the needs of employees.	49%	74%	9.125**	-0.248	H3a
Direct supervisor responds to the needs of the department's employees.	59%	71%	1.786		H3b
Fairness					
Management's decision to lay-off employees was fair	52%	76%	6.268**	-0.209	H4a
Management showed favoritism in selecting those who were laid off.	52%	26%	7.160**	0.225	H4b
All levels of employees were included in the lay-off.	55%	58%	0.070		H4c
Local management made the lay-off decisions.	31%	33%	0.055		H5a
The managers seemed unhappy to lay-off employees.	52%	77%	7.443**	-0.228	H5b
Hope and fear					
Respondents are optimistic about the organization's future.	55%	74%	3.822*	-0.161	H6
Employees are nervous about their job security.	93%	70%	6.340*	0.206	H7

*The χ^2 test of independence result is significant at .05.

**The χ^2 test of independence result is significant at .01.

they have been helped by the organization will experience gratitude and that may lead to increased trust and loyalty.

Survivors perceived fairness in the decision to lay off employees to a greater extent than did the victims. Although ideological beliefs, such as employee self-reliance and worth, may influence perceptions of a psychological contract breach during downsizing (Edwards, Rust, McKinley, & Moon., 2003; Rust, McKinley, Moon, & Edwards, 2005), victims may view the layoff decision itself as a breach of the psychological contract and a failure of the organization to fulfill its contractual obligations to the employee (Morrison & Robinson, 1997; Rousseau, 1989). In terms of the process, the victims perceived that management showed favoritism in the selection of those laid off to a greater extent than did the survivors. These

results are not particularly surprising, given that the survivors were provided with the opportunity to remain employed by the organization and the victims were not. In line with Weiner's attribution theory (1985, 1986), survivors may have attributed their survival to their ability and therefore perceived that the decision was fair. Victims may have looked to external factors to justify their loss of position and therefore perceived the decision to be unfair.

Survivors perceived their managers' unhappiness with the layoff of employees to a greater extent than victims. Possibly, the survivors' greater opportunity to observe management behaviors post downsizing helped them develop a different perspective from those who exited the organization. Since survivors remain in the aftermath of a downsizing event, they are in

a position to witness their managers' emotional response to the event while victims are no longer in that position. The impact of the economic crisis on organizations resulted in an unprecedented number of layoffs that may have affected managers in a way that was visible to survivors.

The survivors of organizational downsizing in this study were more optimistic about the company's future than were the victims. This result may be reflective of Hareli and Tzafrir's (2006) suggestion that survivors who attribute keeping their jobs to their own ability or effort experience hopefulness. But what is interesting is the large percentage (74%) of survivors who were optimistic about the organization's future. Given that the surveys were administered after the downsizing event, but during the worst economic crisis since the Great Depression, the strength of survivor optimism is surprising.

There were differences in the perceptions of survivors and victims related to job security. While we expected that survivors would perceive greater employee nervousness about job security, it was in fact the victims who perceived greater insecurity among employees. Victims may have perceived that the selection of those laid off was arbitrary or simply a matter of luck, and therefore no employees would have confidence in their future retention by the organization. Some researchers have studied the perceptions of victims and survivors relative to job security with mixed results. For instance, Kivimaki et al. (2001) found that survivors experienced lower levels of uncertainty, while Armstrong-Stassen (2002) found no differences in perceptions of job security between the two groups. The findings of Tourish et al. (2004) suggest that victims and survivors had similar perceptions of job and organization uncertainty. These studies, however, examined personal perceptions related to their own individual job security. Our study examined perceptions related to employees in general. Given the severity of the economic crisis, it is not surprising that a high percentage of both victims (93%) and survivors (70%) perceived employee job security concerns. However, the survivor results stand in contrast to their high level of optimism (74%). Although organizations may have effectively communicated the resiliency of the organization during the crisis, they did not assuage employee fear of future layoffs. This is an area of particular importance as managers attempt to reengage employees post downsizing, as job uncertainty can negatively impact employee productivity (Brockner et al., 1987).

Our results indicate that there were no differences in the perceptions of victims and survivors related to the maintenance of open lines of communication between corporate management and employees; employees' understanding of and agreement with the organization's broad strategy; direct supervisor response to employee needs; the inclusion of all levels of employees in the layoff; and local management's involvement in making the layoff decision.

In terms of communication, we found that a large percentage of both survivors and victims perceived open lines of communication. Our results are similar to the findings of Tourish et al. (2004), who found that survivors and victims reported

receiving the same level of information during a downsizing event. We agree with Kilpatrick (1999) and Cameron (1994) that management should be aware of the importance of open and fair communication with both survivors and victims during all stages of the downsizing event.

Further, survivors and victims were not significantly different in their perceived understanding of and agreement with the organization's broad strategy. A closer examination of survivor results, however, indicates that while 70% of survivors believed that management maintained open lines of communication and 68% understood the broad strategy of their employers, only 55% of the survivors indicated that they agreed with that strategy. Thus, although corporate management may be communicating with the survivors, they may not be persuasive in convincing them to accept their strategic vision. This is a particularly important challenge as managers seek to reengage survivors post downsizing. Brockner et al. (1987) found that clear and straightforward explanations of why a downsizing event occurred had a positive effect on the attitudes of survivors. Such explanations should be clearly linked to the strategic direction of the organization as altered by the downsizing event, since knowledge of organizational strategy has been found to foster commitment to strategy (Gagnon et al., 2008). With only 68% of survivors and 66% of victims indicating an understanding of the organization's strategy, it is not surprising that only 55% of both groups agree with that strategy.

Our study revealed interesting findings related to blame attribution in organizational hierarchy. Both survivors and victims placed less blame for the downsizing decision on direct supervisors than on higher levels of management. This result is supported by research that found that "Blame tends to rise in hierarchies: observers tend to blame upper level management to a greater degree than they blame lower level employees for performance failures within the organization" (Gibson & Schroeder, 2003, p. 111). This finding has interesting implications for post-downsizing reengagement since employees react positively to supervisors who they perceive to be free of blame (Horvath & Andrews, 2007). Further, only 57% of all respondents believed that all levels of employees were included in the layoffs. Thus, although employees recognized the need to downsize, they might not believe that there was equity in layoff decisions across hierarchical levels. Employee perceptions related to equity across organizational hierarchy and managerial responsibility for layoff decisions may be two areas that require leadership consideration in the development of downsizing strategies.

Although there was a significant difference between survivor and victim perceptions related to corporate management's responsiveness to employee needs, there was no significant difference found with respect to perceived responsiveness at the direct supervisor level. The difference in the perceptions of responsiveness at the corporate versus supervisory level finds some support in research related to trust. Courtney (1998) found that employees gave higher trust ratings to supervisors than they did to chief executives due to differences in the degree of direct

interaction and hierarchical proximity. Perry and Mankin (2004) found that manufacturing employees gave higher trust ratings to their supervisors than they gave to top management. In addition, given the severity of the economic crisis, victims may have recognized the difficult position of their supervisors and placed greater blame on top management.

LIMITATIONS AND FUTURE RESEARCH

There are several characteristics of the study that can be seen as both limitations and opportunities for future research. One limitation is the cross-sectional nature of the data, which have been collected from employees of multiple companies. We could not control for conditions and workplace circumstances. Thus, our data are general in nature rather than specific to a particular company. The data's general nature, however, can be seen as strength in that it provides information that can be considered by managers in many kinds of companies. It also provides a starting place for future research.

A second limitation deals with past layoff experiences. Respondents were not asked whether they had ever been required to lay off employees or whether they had been laid off prior to the current research period. Past layoff experiences of our respondents may have contributed to the nature of their responses. See Sronce and McKinley (2006) for research that examines layoff agency and layoff victim experience.

A third limitation deals with the overlap between the 24 persons who self-identified as "not working" and the 27 who identified as "lost their job." The fact that there were 19 respondents who indicated they were not working and had lost their job might have introduced bias into their responses. In addition, there is no way of knowing whether these 19 respondents were actively seeking employment or for how long they had been unemployed. Future studies should address this concern.

Another possible limitation is the nature of the sample. While all respondents were working or recently laid off adults, they were also students in an accelerated bachelor's degree program. Even though all respondents represented the adult work force, they were undergraduates nevertheless. Positions requiring a bachelor's degree are not represented. In addition, since the sample was drawn from eastern North Carolina, the results cannot be applied to other parts of the country. A broader sample might have had different results. As with most survey research, self-selection bias is always a possibility. Each of these limitations presents an opportunity to extend the research.

CONCLUSION

The results of this study indicate that there were differences between survivors and victims in their perceptions of downsizing actions that occurred during the economic crisis of 2007–2009. In particular, differences related to management responsiveness to employee needs, the fairness of both the layoff decision itself, and the selection of layoff victims, as well as employee optimism, were not unexpected. However,

the economic climate may have magnified these differences, as victims found themselves among a pool of 8.2 million people seeking employment. It is important that management consider victims' perceptions, as research indicates potential retaliatory behavior that can result in costs associated with damaged organizational reputation or victim-initiated lawsuits (Konovsky & Folger, 1991).

There were, however, also areas in which survivor and victim perceptions were not different. Based on the similar perceptions of survivors and victims, it appears that corporate communication fell short particularly with respect to the company's strategy. This is an area that may require management attention during downsizing events. Fostering an understanding of and agreement with the organization's broad strategic direction may help to avoid the potential negative behavioral outcomes associated with a perceived breach of the psychological contract and may be particularly important in reengaging survivors post downsizing. In addition, both survivors and victims had similar perceptions regarding unequal treatment (layoffs) across hierarchical levels and the attribution of blame for downsizing decisions at levels higher than that of their supervisor. Effective communication may mitigate blame attribution and foster perceptions of shared pain across organizational hierarchy.

During downsizing, management's awareness of employee perceptions and its ability to effectively manage the layoff process are critical in avoiding the negative behavioral consequences of a perceived breach of the psychological contract and in sustaining the long-term viability of the organization. Post downsizing, management's understanding of these perceptions will be helpful as management sets its new strategy.

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