

Sociology 6360
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Organizational Commitment During Public Sector Downsizing

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April 24, 2003

PURPOSE

This paper will attempt to define organizational commitment and outline its importance, particularly in periods of restructuring. I have been employed in the provincial public sector within the past twelve years and during that period have seen numerous episodes of downsizing through extensive layoffs during the 1990s. Generally the “restructuring” was espoused to be based on economic reasons whereby government could no longer afford to employ large number of public sector employees. Given the bulk of government expenditure is either on wages for labour or provision of public services it is not surprising numerous public sector employees have been laid off and services contracted out to the private sector. Each round of restructuring has dramatically changed the workplace whereby employees have developed a mistrust of the employer. This was evidence in early 1990s when government signed collective agreements with the majority of the public sector only to evoke its legislative power shortly thereafter and amend all signed collective agreements to eliminate previously negotiated increases and benefits. A reduction in the number of employees both in middle management and front line employees has essentially meant fewer people are required to do more. Each successive round of layoffs and restructuring weakens the culture of the organization.

To the untrained eye it appears that the downsizing has occurred based on a short term focus of reducing expenditures rather than any long term strategic plan. Arguably there has been little, if any, thought given to whether the remaining employees will be committed to the organization. The main thrust of this paper will be to identify an effective strategy to maintain organizational commitment while at the same time facilitating the organizational goal of downsizing.

Initially, the paper will present a literature review of organizational commitment in downsizing/restructuring settings. The review will consider effective strategies for maintaining organizational commitment during periods of downsizing and for assessing the impact of downsizing on the organizational commitment of employees. A subsequent section of the paper will discuss the findings of the relevant literature to determine whether indeed they are applicable in today's workplace.

ORGANIZATIONAL COMMITMENT

It is recognized that an employee's commitment to an organization can be expressed as: affective, continuance, and normative commitment. Affective commitment is focused on an emotional attachment to the organization (Herscovitch, 2002). On the other hand, continuance commitment is when an employee stays with an organization based on a perceived cost of leaving (Herscovitch, 2002). In this case, the employee is staying because he/she thinks it will cost more to go find work elsewhere. Lastly, normative commitment refers to an employee's moral obligation to stay with the organization (Herscovitch, 2002). This can arise due to the employee feeling that the organization has treated him/her well and therefore, he/she owes the organization a continued period of employment. In one sense, each type of commitment ties the individual to the organization; however, each impacts differently on the manner in which the employee conducts him/herself in the workplace. For example, an employee with an affective commitment will often go above and beyond what is required of his/her position in order to assist the organization in meeting its goals. Employees with high affective commitment tend to be absent from work less frequently and display a higher work motivation and organizational citizenship (McShane, 2001). Continuance commitment, however, is negatively related to

performance whereby employees tend to do simply what is required, have higher rates of absenteeism, and low motivation (Johns and Saks, 1996). There was little research available outlining the impact of normative commitment on performance.

Sennett (1998) argues that the relationship between employee and organization has significantly changed. Under the new relationship employers no longer provide long term commitment and there is less recognition of the individual through a greater emphasis on teams. The modern organization is characterized by owners who build up the enterprise and sell it for a profit; therefore, employees are given the message that in six months time the organization may not be there resulting in a lack of commitment on the part of existing employees. As a result of the changing organization Sennett (1998) makes a point that the traditional relationship between work and a concept of “self” is no longer evident. Workers are no longer fit into their place in society based on where they work and what they do. Arguably if Sennett’s (1998) approach is accepted organization commitment would have diminished relevance in times of downsizing.

What impact does employee status on organization commitment? For example, do part time employees exhibit the same degree of organizational commitment as full time employees? Two studies in this particular regard arrived at differing conclusions. Still (1983) studied 140 full-time and 71 part-time female salespeople during the first four months of employment to assess whether there were any differences in organizational commitment between both groups. Despite contrary management expectations part-timers and full-timers revealed similar degrees of organization commitment. A larger study examining a similar issue Sinclair, Martin and Michel (1999) examined differences in organizational commitment among a sample of 850 full-time and 1490 part-time unionized employees. Through use of regressive analysis group differences did appear between full-time and part-time unionized employees with respect to the

degree of organizational commitment. The latter study is the most recent and used a much larger sampling, therefore, findings of this study are preferred to the Still (1983) study for the purposes of the conclusion.

Could organizational commitment vary among classes of workers? Florida (2002) proposes that the workplace and work itself is being altered by a distinct “creative” class. This creative class excludes blue collared workers and includes artists, musicians and professional workers. According to Florida (2002) the creative class do not seek long term commitments from organizations but rather seek to require skills necessary for the next position the employee may hold which may or may not be within the same organization. Accordingly communities are transformed whereby they attempt to attract this creative class for economic purposes as well as cultural growth.

When an organization engages in downsizing, such a decision impacts both on employees who are adversely affected by measures such as layoff, as well as employees who remain with the organization (often known as "survivors"). This should be of concern to organizations, given that remaining employees may experience a change in their commitment to the organization. The impact of a psychological contract was discussed by Meyer, 1998, in describing how organizational downsizing impacted on employee commitment. A psychological contract is essentially an employee's belief about the obligation that exists between him/her and the organization. The model further outlined that there are essentially two types of contracts: transactional, which refers to a short-term economical exchange type of relationship between the employee and the organization; and relational contracts, which are more open ended to long-term obligations and are not based on an economic exchange of services and wages but on loyalty and support between two parties. When downsizing occurs, if the employee perceives that promises

were broken (a breach) the employee then assesses whether indeed the breach could or should have been avoided. If the employee is satisfied that the breach could have been avoided, then the employee engages in a process of re-evaluating the type of psychological contract he/she is prepared to enter into with the organization. If the employee elects for a relational psychological contract this essentially institutes an affective commitment; whereas, a transactional psychological contract moves toward continuance or normative commitment (Meyer, 1998). The model reports that in order to be successful after downsizing has occurred, the organization requires employees with high affective commitment. Proponents of the model suggest that when downsizing is accompanied by a vision which links it to a strategic outcome, along with open communication, employees tend to adopt a relational psychological contract (Meyer, 1998). In considering downsizing, organizations have to be cognizant of the impact that such a measure will have on the employees remaining with the organization.

Organizational health depends on the continued commitment of those individuals remaining with the organization after downsizing has occurred; however, it is often this group which feel that they can no longer count on the organization for a continued commitment (Kaye, 1998). An underlining assumption of this statement is that organizational commitment is a required function in order for the organization to remain a viable entity. However, job commitment is closely linked to job satisfaction (Tang and Kim, 1999).

The Tang and Kim (1999) study involved 155 employees from over 32 agencies of the Department of Mental Health and Mental Retardation in a state in the southeastern United States. One of the findings confirmed that individuals who left the organization exhibited a lower organizational commitment than those who remained with the organization. There was a

positive correlation between a high level of job satisfaction and demonstrated organizational commitment.

Those who have survived the downsizing have just had their world turned upside down. Studies have shown that the organizational commitment of those remaining with the organization after downsizing is largely dependant upon the perceived fairness of the layoffs and/or restructuring (Brockner, 1992). In a study conducted by Brockner (1992), he found that the organizational commitment of “survivors” was largely dependant on how they perceived distributive justice, which he defined as looking after those who had left the organization, as well as procedural justice which was defined as whether the organization had provided a clear and reasonable explanation as to why the restructuring or downsizing had occurred. Organizational commitment was found to decline when the “survivors” perceived there was a lack of fairness during the downsizing. Fairness should be one of the foremost thoughts of the senior management team when commencing a downsizing exercise. Often times an organization will downsize or restructure to become more competitive to better respond to the external environment through customers and possibly to achieve financial objectives. However, this is easier said than done. Richard Doust reviewed the restructuring with respect to Ontario Health Services for a period of two years commencing in 1997. One of his findings was that at least fifty percent (50%) of downsizing exercises failed to meet financial objectives. While he didn’t conduct a significant amount of work with respect to why this statistic was so staggering, he did hint in his findings that a strong vision was one of the requirements in order for success. Doust indicated that it was the responsibility of senior management to clearly articulate to the employees, both those departing the organization and those remaining, the rationale for the downsizing and why the organization continues to exist, where it is going, and the role of each

employee within the new organization. He further outlined that the process of simply cutting costs and cutting staff is a rather short-term fix and contributed largely to the overall statistic of fifty percent (50%) of downsizing exercises failing to meet financial objectives.

One of the most prevalent factors contributing to failed restructuring is a lack of commitment by employees (Herscovitch, 2002). With respect to health care reform, one of the primary reasons of failed downsizing is the lack of credible leadership (Doust, 1998).

A significant portion of the literature reviewed indicates that in order for an organization to be more successful in maintaining organizational commitment during downsizing, a distinct strategy is required. Based on a review of the research available at the time, along with her own studies, Karen Mishra (1998) proposed a four-stage strategy in implementing downsizing which would assist an organization in maintaining organizational commitment from the remaining employees.

The first stage involved making the decision to downsize. It is the responsibility of the senior management team to incorporate the decision to downsize into a “credible” vision, such that it becomes clear how the downsizing will move the organization to some type of competitive advantage. In fact, Mishra went further and recommended that the downsizing decision be incorporated into the overall organizational strategy, which would serve to reinforce the employees’ trust in the senior management team as being competent leaders. It was hoped that employees would have some sense of future for the organization, and clearly understand their role in the new organization.

The second phase involved planning the actual downsizing. Downsizing activity must be planned well in advance in order to increase its chance of success. Communication was an integral part of this phase whereby it was suggested that employees be provided with the relevant

information with respect to state of affairs of the organization, inclusive of finances and an indication from senior management as to where the organization had to be situated in order to be competitive (Mishra, 1998). During this phase of the process consideration must be given to what additional training and competencies will have to be provided to managers in order to implement the downsizing, which will likely involve layoffs and tough decisions.

Confidentiality is an integral part of this process as well, whereby managers cannot disclose any part of the downsizing plan until it is formulated and ready for dissemination to employees.

The third phase in Mishra's approach is making the announcement. Here it is stressed that the communication from senior management must be open and honest with reasons provided as to why downsizing is occurring. At this stage, it is equally important to re-emphasize the vision of the senior management team so "survivors" will know where the organization is headed and what their role will be. The timing of such an announcement should be early in the week, early on the particular day, and with all senior managers present.

The final phase actually involves implementing the downsizing. It is vital that the downsizing plan be followed as specifically established, or there is a concern that the plan and senior management will lose credibility in the eyes of the employees as well as their trust. If this does occur, it is likely that organizational commitment will decline significantly. At this phase, the objective is to try to rebuild trust and ensure commitment is maintained and heightened by employees. Care should be taken by management not to make promises they can't keep and to get those remaining with the organization involved in processes to clarify role perceptions and foster commitment.

DISCUSSION

One of the first issues to address is whether organizational commitment is a universally applied concept which can be applied to all organizations. Public sector is the thrust of this paper, therefore, an obvious question is whether senior bureaucrats and politicians should actively put strategies in place to facilitate evolution of organizational commitment? The argument can be made that the public sector more so than other industries should be concerned about facilitating organizational commitment among its employees. Public sector primarily produces services such as health, education, highway road and snow clearing to name a few. Many of these services are monopoly services whereby there are often no other substitutes available. For example with respect to education while there are a limited number of private schools within the capital city of Newfoundland and Labrador. This option is not available to the majority of the rural population and is somewhat restricted in any event based on ability to pay. Health services with the exception of being able to afford services provided in another province or country government controls the assess and availability of health services. Government should be striving to ensure that the individuals who provide the services have a high degree of organizational commitment such that they will perform their job responsibilities to the greatest extent possible. The same argument could hold true for a restaurant, however, the difference being as a member of the public you have an option to pick from several restaurants if the service is not satisfactory in one particular restaurant.

While there is a need for a high level of organizational commitment among public sector employees circumstances have not proofed conducive for generating this commitment. The last decade has seen government use its legislative power to eliminate previously negotiated salary increases, legislate employees back to work as well as legislating terms and conditions of

employment for numerous employees. There has been a downsizing meaning there are fewer employees remaining to in large part perform the same volume of work. The circumstances coincide with Sennett's (1998) study that the modern organization does not provide any long term guaranteed employment and in exchange employees should enter the work relationship with a perspective that the relationship is short term and the employee should not get too involved. Based upon the manner in which public sector employees have been treated over the past decade it is quite conceivable most would be engaged in transactional contracts which essentially involves a short term economic exchange (Meyer, 1998). **After subsequent rounds of downsizing when additional labour was required public sector employers traditionally hired temporary or casual employees. Within the health sector a percentage of temporary support staff employees (those who would provide laundry/food services, housekeeping, dietary needs) increase substantially in large part so that the employer could avoid quasi fixed benefit costs associated with hiring full time employees. Within the nursing occupation this trend somewhat changed in 1998 when health sector employers reduced the percentage for casual nurses from approximately 21 percent to 1 percent in 2001. Up until 1998 temporary employees were not entitled to participate in the group insurance plan yet a significant number of the employees annually worked full time hours. This caused a significant degree of resentment between temporary employees and the employers based on a perception that employers were not concerned with the overall health and safety of the employees and their dependents.** On the other hand organizational commitment may not be necessary in an organization operating in high technology. Generally such an organization would be characterized by team based project work. Once a project has ended the team is

disbanded and the employees may be able to find alternate work within the organization or may look elsewhere.

Is organizational commitment applicable to all employees regardless of status? The Sinclair, Martin, and Michel (1999) study reported lower organizational commitment among part time employees than full time employees. When thinking of the public sector this finding seems quite plausible. The increased use of temporary employees as a means of numerical flexibility has meant that fewer full time employees have been affected by restructuring given the employers ability to cease calling temporary employees in times of budget restraint. The use of temporary employees to provide numerical flexibility is not unique to the public sector as was highlighted by Cornfield, Campbell and McCammon (2001). Given a higher percentage of contingent or part time workers within the organization a lower level of organizational commitment among this group can be anticipated. Therefore, strategies should be targeted at maintaining and enhancing the organizational commitment within the full time permanent staff remaining within the organization after downsizing.

Literature reviewed with respect to downsizing stressed the benefits as well as the need to maintain organizational commitment among the “survivors” after the restructuring. Do employees have to display organization commitment in order for the organization to exist as a viable entity? What actually motivates employees? In other words without organizational commitment can an employee effectively perform his/her job? The expectancy theory of motivation proposes that employees will perform job tasks if there is a sufficient probability that they will actually be able to complete the task and receive the desired outcome. The equity theory outlines employees are motivated based on their perceived equity with others and the rewards within the organization (McShane, 2001). Neither of the theories of motivation

referenced a requirement for organizational commitment in order for an employee to perform successively within his/her job. Based upon both theories organizational commitment is not required in order for employees to successively perform the required tasks within the organization. Unfortunately there has been little if any thought of organizational commitment planned during downsizing in the public sector. While it would be desirable to have employees with a high level of organizational commitment the relationship between employee and work place within the public sector has not been conducive to facilitating organizational commitment. Employees have sufficient reason to view the employer/employee relationship as an economic exchange.

Some brief recommendations are provided for general approach to downsizing while being cognizant of the importance of maintaining organizational commitment:

1. Consider why restructuring or downsizing is necessary. Any proposed downsizing should not simply be an exercise to identify monetary savings by having less people working. The department or agency should be aware that it will require skills and competencies in order to provide services subsequent to the restructuring.
2. It is incumbent that senior bureaucrats and politicians recognize the “contract” with staff. The intention should be focused on circumstances which may have caused employees to view the employer/employee relationship from solely economic terms. While the term vision may be misunderstood and overused it is important for senior bureaucrats to convey a clear picture of why downsizing is required, where they see the organization going and the role that the remaining employees with the department will play.

3. Ensure to the extent practical that downsizing is fair. Obviously individuals will perceive fear differently based on their own experiences and expectations. Individuals remaining with the organization should be given correct information on a timely basis.
4. To increase affective commitment. Employee survivors should be involved with the implementation of new processes and structures implemented as a result of downsizing.
5. Normative commitment has likely been weakened over the past decade whereby employees likely perceive the organization as not meeting the needs of continued employment. Normative commitment can be increased if it is likely employees will demonstrate an increased cooperation and therefore will assist with the change initiatives.

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