



## Economic crisis and the employee: The effects of economic crisis on employee job satisfaction, commitment, and self-regulation



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### ABSTRACT

Greece has been suffering a severe crisis starting in about 2009. This paper examines the impact of the recent economic crisis in Greece on employee work-related attitudes via changes in regulatory focus. We collected data in a large and heterogeneous sample of employees ( $N = 1024$ ) during the crisis and compared them with a matched sample of employees surveyed ( $N = 882$ ) half a decade earlier, i.e., before the crisis. Participants reported their job satisfaction, organizational commitment and their self-regulatory focus. Results show, as expected, that participants after start of the crisis were lower in extrinsic job satisfaction, affective organizational commitment and were also (unexpectedly) lower in normative commitment, while these attitudinal changes were explained by decreased promotion orientation and increased prevention focus. Rather unexpectedly, pre-crisis and crisis samples did not differ in levels of continuance commitment. This paper makes a relevant contribution by showing that the threatening crisis event does not only have negative effects on work-related outcomes, but also that changes in regulatory foci occur and explain attitudinal change indicating an adaptive mechanism to the threatening situation of an economic crisis.

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### Introduction

Greece has been in the middle of the ongoing debt crisis since November 2009. The austerity plan includes tough adjustment by lowering public expenditure, gradually eliminating various subsidies (e.g., energy, housing, health, education), raising electricity rates, freezing public sector wages, capping pension payments and postponing social benefits (Ghellab & Papadakis, 2011). The country is facing its hardest ever financial and debt crisis, causing cuts in wages and pensions, public expenditure, social security spending, etc. (cf. Argyrou & Tsoukalas, 2011). Furthermore, unemployment rates are escalating with an overall unemployment rate of just below 30% (the rate for citizens younger than 25 years is higher than 60% in 2013), and so do poverty figures, suicide cases etc.

The present paper examines the effects of this severe economic crisis on work-related attitudes and mechanisms of individual self-regulation. This research aims to explore how the crisis might change attitudes. More specifically, we will look into changes in two of the most prominent job attitudes, namely job satisfaction and organizational commitment that have both well-documented effects on key behaviors such as employees' in-role and extra-role

performance, their productivity, creativity and turnover (e.g., Judge & Kammeyer-Mueller, 2012; Judge, Thoresen, Bono, & Patton, 2001; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). In addition, we examine changes in regulatory foci as explanatory mechanism for attitudinal changes in times of crisis. We argue that shifts in regulatory focus are adaptive adjustments that – in some cases – may prevent even worse effects on employee attitudes towards work in times of crisis. Exploring how and why crisis influences individual work attitudes is important due to its pressing impact on organizational outcomes and understanding the driving psychological mechanisms allows for an evidence-based adjustment and management of crisis-related psychological consequences.

#### *Economic crisis and attitudes*

Economic crisis is a threatening contextual circumstance that influences individuals' approaches in life and evaluations of their work situations. Bell and Blanchflower (2011) reported in a pan-European survey that the so-called 'happiness' levels in Southern Europe have sharply fallen between 2007 and 2010 due to the effect of the economic crisis and the high and continuously rising unemployment rates, especially among the younger cohorts of the working population. They found that "there is a noticeable decline in the happiness levels in Greece (–0.28), Ireland (–0.14), Portugal (–0.17) and Spain (–0.10), which have been hard hit by

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recession and the sovereign debt crisis" (p. 103). Besides wellbeing, work-related evaluations are also affected by crisis. Seršić and Sverko (2000), for instance, found that during the period of transition and crisis in Croatia, job satisfaction did not change significantly; however changes in need satisfaction indicated a significant and profound worsening.

Evidence from outside Europe indicates similar effects of crisis. Mehri, Iqbal, Hekmat, and Ishaq (2011) concluded that employees working in the Iranian banking sector pre- and post-financial global crises expressed drastically reduced job motivation and job security levels. Another study on Taiwanese atypical workers (e.g., part-time workers, fixed-term contract employees, temporary and agency workers, self-employed), showed significant negative effects of the global economic crisis on employee job satisfaction (Lee, Wang, & Ip, 2011). These accounts from Europe, Middle East and Asia indicate that crises can have severe influences on work related attitudes.

According to threat theories, contextual threats impact on psychological mechanisms for instance by attenuating the impact of personality traits on attitudes Sibley, Osborne & Duckitt (2012) or the expression of conservative values in attitudes (Boer & Fischer, 2013). The underlying mechanisms include threats being strong sources of uncertainty, which impact on human motivation striving for a management of and coping with these uncertainties (Hogg, 2007). We argue that an economic crisis is a contextual threat that influences individuals' work-related attitudes. Furthermore, we claim that changes in regulatory foci function as threat adjustments underpinning these attitudinal changes. Next, we explicate which work-related attitudes are investigated in detail and how regulatory foci relate to these work-related attitudes. We contribute a novel take on work-related crisis effects and their underlying psychological mechanisms by developing three sets of hypotheses concerning (a) the impact of economic crisis on work-related attitudes, (b) the impact of economic crisis on promotion and prevention focus, and (c) the mediating role of regulatory foci for explaining the crisis effects on work-related attitudes.

#### *Work-related attitudes in times of crisis*

The work-related attitudes examined in the present study are job satisfaction and organizational commitment. Job satisfaction is defined as "how people feel about their jobs and different aspects of their jobs. It is the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs ... Job satisfaction is an attitudinal variable ... [and] can be considered as a global feeling about the job or as a related constellation of attitudes about various aspects or facets of the job" (Spector, 1997, p. 2). Moreover, we consider job satisfaction comprised of two facets relating to the extrinsic and intrinsic features of a job (Cooper-Hakim & Viswesvaran, 2005): *Extrinsic satisfaction* is the satisfaction derived from extrinsic circumstances, such as remuneration, management policies, physical conditions, or job security. *Intrinsic satisfaction* is the individually felt satisfaction arising out of opportunities for achievement, creativity, personal advancement, etc. This approach to job satisfaction reflects cognitive evaluations of job satisfaction and internal cost-benefit analyses conducted by the employee (Brief, 1998).

During an economic crisis, employment conditions are severely hit, resulting in less positive and more negative job conditions at work, which are consequently negatively evaluated. Even if employment becomes ever more essential, and employees are more prepared to accept a poorer employment status and working conditions in return of safeguarding current employment and job positions, the general frustration experienced should have a negative impact towards their general job satisfaction on both extrinsic and intrinsic aspects.

**Hypothesis 1 (H1).** Employees facing an economic crisis are less satisfied overall with their jobs, than the employees not experiencing an economic crisis.

Economic crisis and the austerity measures adopted by governments mainly affect wage levels and threaten job and employment security notions. Therefore, we explicitly investigate pay satisfaction and job security, because these specific aspects of extrinsic job satisfaction are likely to be strongly affected by an economic crisis. We propose that satisfaction towards extrinsic job features including pay levels and job security will be negatively affected as a result of the economic crisis.

**Hypothesis 2 (H2).** Employees facing an economic crisis are less satisfied regarding pay and job security, than the employees not experiencing an economic crisis.

The other important attitude we are focusing on is organizational commitment. It is the commitment to a particular organization, its goals and objectives, strategies, management policies and procedures. Organizational commitment has been defined as the relative strength of an individual's identification with and involvement in a particular organization, which is characterized by the belief in and acceptance of organizational goals and values, the willingness to exert effort on behalf of the organization, and a desire to maintain membership in the organization (Mowday, Porter, & Steers, 1982; Mowday, Steers, & Porter, 1979). Recent theorizing and evidence supports that organizational commitment is a multi-dimensional concept, having 'mindsets' rather than 'rationales', which by themselves "potentially reflect both cognitive and affective elements" (Vandenberghe, 2009: 100). For the last two decades, organizational commitment was devised as comprising three distinguishable and separable forms: (a) *affective commitment* – the emotional attachment to, identification with and involvement in the organization (i.e., the individual wants to be in an organization), (b) *continuance commitment* – the costs associated with leaving the organization (i.e., the individual needs to be in an organization), and (c) *normative commitment* – the employees' feelings of obligation to remain with the organization (i.e., the individual ought to be in an organization) (Allen & Meyer, 1990; Meyer, Allen, & Smith, 1993).

Coming to crisis effects on commitment, affective commitment is experienced when an employee strongly identifies with the goals of the organization and desires to remain a part of the organization. This employee commits to the organization because he/she "wants to". However, an economic crisis has adverse effects on affections and moods, resulting in a downturn in employees' affective feelings of commitment towards their organization. Brockner and colleagues (1987) showed that employees who managed to remain in their jobs after layoffs had lowered organizational commitment and this was particularly the case if they identified with layoff victims who were perceived as inadequately compensated and unjustly fired from their jobs. In a further study, Brockner and colleagues (1993) found employees' worries increased after a lay-off period, while these worries in turn facilitated an enhanced work motivation as a strategy to reduce future layoff risks. The latter may indicate an increase in continuance commitment from the pre- to post-crisis period in order to remain in and safeguard the current job, by all and any means. Continuance commitment has to do with the "side-bets", or investments an employee faces: these are the gains and losses that may occur should an individual stay or leave an organization. On the other hand, personal or job-related sacrifices by changing or losing a job are important concerns an individual ought to consider, before an action is taken. This means that the economic crisis would increase employees' continuance commitment since the "side-bets" are significant and the costs associated with losing or leaving a job would be harmful for the individual because of few alternatives. Lastly, normative commitment has to do with feelings of "moral obligation" when the organization puts forth effort on the job and the

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