Can Change Management Mitigate the Negative Effects of Public Sector Cutbacks on Employee Wellbeing?

Evidence from the Dutch public sector

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Abstract

There is substantive evidence that the implementation of cutbacks are negatively related to employee wellbeing in the public sector. However, existing research on public management reform has paid little attention to the implementation processes through which public organizations implement cutbacks. In this study, we examine how the implementation of cutbacks is related to decreased employee wellbeing in the Dutch public sector, and to what extent the use of change management practices may mitigate a negative relationship between cutbacks and employee wellbeing. The results indicate that cutbacks are negatively related to employee attitudes regarding their membership in their respective organization (organizational commitment), but not to positive attitudes regarding their work (work engagement). Moreover, although change management practices are only moderately applied in the implementation of cutbacks, the analysis indicates that they may partly alleviate the negative relationship between cutbacks and organizational commitment. The evidence presented in this study thus indicates that more attention should be given to the processes through which cutbacks are implemented in public organizations.
1 Introduction

In times of financial austerity and economic crisis, there is an increased need for public organizations to cut back on expenses and improve efficiency (Raudla, Savi & Randma-Liiv, 2013; Bozeman, 2010; Pandey, 2010). In recent years, reforms aimed at cutting back and improving efficiency have become standard practice in public organizations in many European countries (Kickert, 2013). Apart from improving efficiency and cutting costs, such reforms aimed at may also have unintended effects (Hood & Peters, 2004; Van Thiel & Leeuw, 2000; Pollitt, 2001; Rhodes, 2000).

Research on implementing cutbacks indicates that cutbacks may result in decreased job satisfaction, morale and increased work-related stress and intention to leave (Levine, 1984; Raudla et al., 2013). There is thus substantive evidence that the implementation of cutbacks may have negative effects on the wellbeing of employees of public sector organizations.

The negative effects of cutbacks on employee wellbeing are one of the reasons why the implementation of cutbacks is generally seen as a managerial challenge (Levine, 1978, 1979). A decrease in employee wellbeing may lead to a reduced effort on the job and even the exit of the organization’s most qualified employees. From a human resources point-of-view, maintaining organizational wellbeing during times of crisis is thus a managerial priority in order to maintain organizational capacity. Regardless, existing research on public management reform has paid little attention to the implementation processes within organizations through which cutbacks are implemented (Kickert, 2010; Kuipers et al., 2014; Van der Voet, 2014). In contrast, the literature on change management (e.g. Beer & Nohria, 2000; Boonstra, 2004; By, 2005; Burke, 2010) focuses specifically on the process through which organizational change comes about. This literature posits that employee reactions to change are not
only dependent on the content of change – what changes in the organizations – but also on the way the implementation process is managed (Armenakis & Bedeian, 1999; DeVos, Buelens & Bouckenooghe, 2007). For example, change management theory urges managers to create and communicate an appealing vision of why organizational change is necessary or advantageous for employees, to support employees in the implementation of change, and to address worries and hesitations of employees through personal communication (Kotter, 1996; Gill, 2002; Herold, Fedor, Caldwell & Liu, 2008).

In this study, we examine to what extent the implementation of cutbacks has resulted in a decreased wellbeing of the Dutch public sector workforce. We supplement research on public management reform with change management theory in order to examine to what extent the use of change management practices may mitigate possible negative effects of the implementation of cutbacks. By doing so, our study has theoretical as well as practical value. In its core, our study addresses the hypothesis that the implementation of cutbacks will be negatively related to employee wellbeing, but that when change management practices are adhered in the implementation process, the negative effects on employee wellbeing may be (partly) mitigated. The main research question of this study is: To what extent can change management practices mitigate the negative effects of the implementation of cutbacks on employee wellbeing?

In order to address the main research question, we use data from a Dutch national survey on reforms and employee wellbeing conducted by the Ministry of Interior and Kingdom Relations (program InternetSpiegel). 11,545 respondents participated in the survey (response rate 39%). Our respondents work in various Dutch public sector organizations ranging from police and primary schools to
municipalities and water boards. The authors have been involved in the questionnaire construction. We concentrate our analysis on how cutbacks are related to indicators of employee wellbeing, focusing on work engagement and organizational commitment. In the next section, we discuss existing research and theory on public management reform and change management in order to propose hypotheses. Thereafter, we discuss the methodological issues underlying this study. Subsequently, we present our analysis, followed by a brief discussion of our findings.

2 Theory and hypotheses

In this section, hypotheses are formulated concerning the relationship between the implementation of cutbacks and employee wellbeing, and the moderating role of the implementation process. We first review existing research on the relationship between the implementation of cutbacks on employee wellbeing. We then look at the change management literature in order to account for the role of the implementation process.

2.1 Research on cutbacks and employee wellbeing

Following times of economic downturn and financial austerity, many countries see themselves forced to cut back on public spending (Pollitt, 2010; Kickert, 2012). As public organizations are financed partially or even fully through public budgets, they are inevitably confronted with the need to implement cutbacks. Cutback management can be defined as the “managing organizational change toward lower levels of resource consumption and organizational activity” (Levine, 1979: 180). In times when cutback management is prevalent in the daily practice of public organizations, public management researchers also seem to focus on this topic. The post-war era was
characterized by continuous economic growth, and an increase in public spending. Following the 1970’s oil crisis, however, governments were confronted with the need to lower public spending. However, it was observed that “[w]e know very little about the decline of public organizations and the management of cutbacks” (Levine, 1978: 316). In the following years, many studies on cutback management or decline in public organizations were published in *Public Administration Review* (e.g. Levine, 1978, 1979, 1984; Behn, 1980; Biller, 1980), specifically focusing on identifying implementation challenges and practice-oriented strategies for implementing cutback in public organizations. After the mid-1980’s, when a new period of economic growth ensued, public management research on cutback management and decline ‘declined’ (Bozeman, 2010). However, following the recent financial and economic crises around 2008, the research topic of cutback management seems to be rediscovered by public management researchers (e.g. Bozeman, 2010; Pandey, 2010; Pollitt, 2010; Kickert, 2012; Cepiku & Bognomi-Savignon, 2012; Raudla et al., 2013).

Prior research has resulted in ample evidence for the dysfunctions of the implementation of cutbacks. There are many reasons for why employees may experience cutbacks as a negative phenomenon, resulting in a lower degree of wellbeing. Cameron, Whetten & Kim (1987) and Levine (1979) argue that the need to implement cutbacks may increase conflict between organizational departments and organizational members, as the available resources become scarcer. This reduces the available slack in the organization. Job demands-resources theory (Bakker & Demerouti, 2007) helps to understand how the implementation of cutbacks may decrease the amount of resources employees can rely on in their work, such as the support of their line-manager or their colleagues, while simultaneously increasing the demands. Moreover, the need to implement cutbacks may enforce a more centralized
management style in the organization (Mintzberg, 1979), resulting in less autonomy for organizational members. Furthermore, cutbacks may jeopardize the job security of organizational members (Cameron et al., 1987).

Because of these and other dysfunctions, cutback management is generally believed to be negatively related to the wellbeing of employees. For example, in a study among managers in both the private and public sector in the United Kingdom, Worall, Cooper and Campbell (2000) find that reforms aimed at reducing redundancies are negatively related to motivation, loyalty and morale. Other research on cutback management indicates that the implementation of cutbacks may result in decreased job satisfaction, morale and increased work-related stress and intention to leave (Levine, 1978, 1984; Raudla, Savi & Randma-Liiv, 2013). Jick & Murray (1982) argue how a ‘crisis syndrome’ may affect organizational members as a result of cutbacks, which consists of a reduced job satisfaction, weakened loyalty toward the organization, stress-related syndromes and decreased effort on the job. Other authors refer to the so-called ‘survivor-syndrom’ that may affect employees who have experienced cutbacks. The survivor syndrome posits that employees who are laid-off are most affected by organizational decline, but that the ‘survivors’ of organizational decline may also experience negative effects (Mishra & Preitzer, 1998). Symptoms of the so-called survivor syndrome may include the erosion of trust and morale, as well as the increase of work pressure, emotional stress and job insecurity.

Two concepts are used to address employee wellbeing in this study: organizational commitment and work engagement. Organization commitment can be defined as “the relative strength of an individual’s identification with and involvement in a particular organization” (Mowday, Steers & Porter, 1979: 226). An individual who is committed to the organization experiences an attachment to the organization
based on affection, calculation or loyalty, and can therefore be expected to be less likely to leave the organization (Meyer & Allen, 1990; 1991). Work engagement is a positive, fulfilling work-related state of mind. Engaged employees are energetic and effective and are well able to deal with the demands of their job. As such, work engagement can be seen as the opposite of burnout (Schaufeli, Bakker & Salanova, 2006). Cutbacks can be expected to negatively impact the organizational commitment and work engagement of employees. Because cutbacks may result in a decrease in advancement opportunities, breaches in psychological contracts and less job security, cutbacks are expected to be negatively related to organizational commitment. Moreover, as cutbacks may increase the productivity demands, while simultaneously decreasing organizational slack and opportunities for support by co-workers and supervisors, cutbacks are expected to be negatively related to work engagement. We propose the following hypothesis:

Hypothesis 1: The implementation of cutbacks is negatively related to the organizational commitment and work engagement of public sector employees.

2.2 The process of cutback implementation: Managing change

The importance that is attributed to the implementation process through which cutbacks are implemented is often highlighted in the literature on decline and cutback management (e.g., Levine, 1978; Weitzel & Jonsson, 1989). Apart from differentiating between different cutback measures such as hiring freezes, pay freezes and cutting back offices, authors generally propose proportional cuts (or cheese
slicing), targeted or strategic cuts, and the middle ground strategy efficiency gains as the three main approaches to realizing cutbacks (Pollitt, 2010). However, research has resulted in little empirical evidence concerning the effects of different implementation processes or strategies when implementing cutbacks (Scorsone & Plerhoples, 2010).

A central position in the literature on change management is that employee reactions to change are not only dependent on what changes in the organization, but also on how changes are implemented (Armenakis & Bedeian, 1999; DeVos, Buelens & Bouckenooghe, 2007). Organizational change is thus not a deterministic phenomenon, but can be managed. This implies that the effects of cutback implementation on wellbeing are not only caused by the content or type of cutbacks that are implemented, but also by the process through which they are realized. The literature on organizational change management offers many approaches, theories and prescriptions for the implementation of change. Most of these approaches fit the dichotomy of planned change versus organization development (Beer & Nohria, 2000; Boonstra, 2004; Sminia & Van Nistelrooij; Burke, 2010; Van der Voet, 2013).

The planned approach to change heavily relies on the role of management to bring about organizational change. The organizational change is implemented in a top-down fashion, in the sense that objectives of change are formulated in advance of the implementation process (By, 2005). During the implementation process, managers communicate the reasons and content of change in order to create support among employees. Although planned change models have been criticized as being overly simplistic (e.g. Burnes, 2004), they are probably the most applied view on organizational change in practice (By, 2005). In the organization development approach, in contrast, organization development is more a bottom-up process. A process of organization development is often initiated by managers (Beer & Nohria,
2000), but the content of the organizational change that is being realized is much more dependent on the contribution and participation of employees. In this sense, employees are more seen as active contributors to change, rather than passive recipients. Both change approaches are summarized in table 1.

Table 1 Planned change and organization development (Adapted from Van der Voet, 2014)

<table>
<thead>
<tr>
<th>Planned change</th>
<th>Organization Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction of change</td>
<td>Top-down</td>
</tr>
<tr>
<td>Objectives of change</td>
<td>Objectives are formulated in detail</td>
</tr>
<tr>
<td>Emphasis on</td>
<td>Content of change</td>
</tr>
<tr>
<td>Role of management</td>
<td>Driver of change</td>
</tr>
<tr>
<td>Role of employees</td>
<td>Passive recipients of change</td>
</tr>
</tbody>
</table>

Although two approaches to organizational change exist, it may be argued that the planned approach to organizational change is most appropriate for the implementation of cutbacks. Several reasons for this can be found in the literature. First, in times of financial crisis (Mintzberg, 1979; Levine, 1978), decision-making is likely to be centralized to the highest management level, leaving little opportunity for lower level managers or employees to participate in the change process. Second, developmental change processes require a lot of time and freedom to experiment (Weick, 2000), making them unlikely in times of crisis. Third, the political environment in which public organizations are typically embedded (Rainey, 2014; Boyne, 2002) will demand detailed time-planning and implementation plans when public organizations face crises, thereby enforcing a planned approach to change (Van der Voet, 2014). Fourth and finally, it may be argued that a birds-eye view of the organization’s
finances and strategy is necessary for decision-making about cutbacks. It is also debatable if difficult decisions about cutbacks, which inevitably affect employees or their colleagues, should be left to employees. Just as turkeys are unlikely to vote for Thanksgiving, employees may not be inclined to participate in decision-making around the implementation of cutbacks.

It can therefore be argued that a planned approach to change is most appropriate for the implementation of cutbacks in public organizations. Many theories of planned organizational change arguably highlight four important aspects of the implementation process. First, theories commonly stress communicating the urgency and necessity of change needs to be clearly articulated to employees (Kotter, 1996). By explaining to employees why cutbacks are necessary, employees may better understand and support the implementation of cutbacks. Moreover, the implementation plan must be clearly communicated to employees, so that employees are aware of the scope and time planning of the implementation process (Van Dam, Oreg & Schyns, 2008). When the implementation process is surrounded with high quality communication, there are little surprises and rumors concerning the cutbacks being implemented, and the cutbacks may be less negatively related to employee wellbeing.

A second important aspect of the change process is participation. Although employees may not be prone to actively participate in the implementation of change that is aimed at organizational decline (Levine, 1979), many change management theorists stress that commitment to change can be increased by inviting employees to think along in the planning and implementation of change (e.g. Russ, 2008; Beer & Nohria, 2000). In implementation process with a high degree of participation, employees are better able to exercise influence and may have a greater sense of
ownership over the implementation process, which may soften the negative relationship between cutbacks and employee wellbeing.

Third, many theories on planned organizational change, such as Kotter (1996) and Fernandez and Rainey (2006), argue that management support for the organizational change is a crucial factor. Managers that support the change can take on the role of so-called ‘change champions’ in order to maintain momentum and create support for change among employees. Management support can thus be seen as a beneficial factor for the implementation of organizational change (Holt, Armenakis, Feild & Harris, 2007). A high degree of management support signals unambiguous leadership and a clear direction to employees, which may reduce uncertainty and anxiety concerning the cutbacks being made.

Fourth, it is important that employees receive individual attention during the implementation process. The implementation of cutbacks may not affect all employees equally, and different employees may react to change in different ways (Armenakis, Harris & Mossholder, 1993). Therefore, it is important that managers pay individual attention to employees who are experiencing problems with the change (e.g. Kotter, 1996). Employees who receive individual attention feel valued and appreciated as an individual (Bass, 1999). Individual attention, rather than a one-size-fits-all approach may therefore lessen the negative relationship between cutbacks and employee wellbeing. We propose the following hypothesis:

Hypothesis 2: The application of change management practices may (partly) mitigate the negative relationship between the implementation of cutbacks and employee wellbeing.
3 Methods

A quantitative study was carried out to address our research question. This section describes the data and the measurement.

3.1 Data

To test our hypotheses, we used data from a Dutch national survey on reforms conducted by InternetSpiegel (a program of the Ministry of Interior and Kingdom Relations) in July 2013. For this survey, a web panel was used (the so-called Flitspanel) that had been established by the Ministry of Interior and Kingdom Relations with the aim of enabling quick and effective information collection. This panel consists of more than 35,000 employees working in the Dutch public sector. For the survey that we used, 29.602 public sector employees were invited to take part and 11.545 employees participated (a response rate of 39%). Of the 11.545 respondents, we removed 274 respondents where data were missing resulting in a database of 11.271 respondents. These 11.271 respondents 1388 respondents have experienced no reorganization at their current employer. The 9883 respondents having experienced a reorganization at their current employer are experiencing different reasons for the reorganizations. We selected respondents experiencing cutbacks (4896 respondents) and innovation (3087 respondents) as the main reason. Finally, we only selected respondents who had no role in the organizational change resulting in a data base with 6073 respondents. Of these respondents, 7 respondents were removed because of unreliable answers on the analyzing variables resulting in a database with 6066 respondents.
The overall characteristics of the resulting sample were as follows: 58.6% were male, the average age was 50.6 years, and the predominant educational level was higher vocational (42.3%). The sample broadly reflected the overall public sector data (arbeidenoverheid.nl), although there was some overrepresentation of men (11.3%), and employees older than 45 years old (21.7%) in our sample.

The employees came from various public sector organizations. A large group came from the ‘core’ of the civil service: central government (10.4%), regional governments (4.5%), municipalities (10.0%), and water boards (4.9%). Further, a large number of respondents were employed in the educational sector: universities (7.7%), higher vocational education (8.6%), vocational education (10.6%), secondary schools (9.2%), and primary schools (7.2%). A limited number of respondents could be characterized as belonging to the judiciary sector (1.4%), research organizations (1.5%), the police (6.7%), and the academic medical sector (6.9%). When compared with the overall public sector population, the deviations in the sample’s distribution were small (0.1 to 11.2%).

### 3.2 Measures

All items for the measurement scales that were used are given in appendix A.

**Cutbacks**

To measure the reform content, respondents were asked to give the main reason for the reform. The answer categories were 1) cutbacks, 2) improving the customer focus, 3) improving internal processes, 4) executing new tasks, 5) other, 6) don’t know. We selected categories 1, 2 and 3 and made a dummy variable that consists of the
categories: 0) innovation (which accounts for improving customer focus and improving internal processes) and 1) cutbacks. The dummy variable thus accounts for the effect of employee’s experiencing cutbacks, in comparison with who experience reforms aimed at innovation.

**Wellbeing**

We used two different variables to measure employee wellbeing. These are organizational commitment and work engagement.

*Organizational commitment.* To measure organizational commitment, we used a six-item scale. Answers were to be given using a five-point Likert scale ranging from totally disagree (1) to totally agree (5). All the standardized loadings were statistically significant and Cronbach’s α for the measure was 0.88.

*Work engagement.* To measure work engagement, we used a nine-item scale largely based on Schaufeli, Bakker & Salanova (2006). Answers were to be given using a five-point Likert scale ranging from totally disagree (1) to totally agree (5). All the standardized loadings were statistically significant and Cronbach’s α for the measure was 0.94.

*Change management practices*
Four different change management practices that generally are considered to be beneficial for the implementation of change are accounted for in this study (cf. Wright et al., 2013; Kuipers et al., 2014; Van Dam, Oreg & Schyns, 2008). These are communication, participation, management support for the change and individual attention for employees. Using a five-point Likert scale ranging from totally disagree (1) to totally agree (5), respondents were asked if the change process reflected these change management prescriptions. Two items were used for each of the four process-related characteristics.

Control variables

Several control variables were included in this study to account for organizational and individual factors and variables related to the organizational change. Organizational size was coded as 1) 0 to 20 employees, 2) 20 to 50 employees, 3) 50 to 100 employees, 4) 100 to 500 employees, 5) 500 to 1000 employees, 6) 1000 to 2000 employees, 7) 2000 to 5000 employees, 8) more than 5000 employees.

The individual factors we controlled for are gender, age, educational level, and number of working years for the current employer. We coded gender as a dummy variable (with 1 = female). Age was a continuous variable ranging from 22 to 65. Reflecting the Dutch educational system, educational level was subdivided into six categories (1 = primary education; 2 = secondary vocational education; 3 = preparatory academic education; 4 = vocational education; 5 = higher vocational education; 6 = academic education). This variable was, as is generally the approach adopted, again treated as a continuous variable (see Van Jaarsveld, Walker &
The number of working years was a continuous variable ranging from

Related to the cutbacks being implemented in the organization, an additional control variable was included in the analysis. Apart from the current cutbacks being implemented, employee reactions to change may be influenced by other changes that were implemented at an earlier point in time. Also known as a so-called ‘reform-fatigue’, employee’s change history may be another relevant characteristic in shaping their reaction to change. With respect to the change history, we included two more control variables. The first control variable accounts for when the last reform has been finished, coded as a dummy variable where ‘1’ stands for 2012 or more recent and ‘0’ represents before 2012.

4 Analysis and results

The analysis presented in this study consists of three steps. First, the factor structure of all the variables in the study is examined in section 4.1, and the resulting model’s fit tested with a confirmatory factor analysis (CFA). The confirmatory factor analysis was conducted using AMOS version 21. Following this, descriptive statistics and some basic inferential statistics (correlations and t-tests) are presented in section 4.2. In section 4.3, a regression analysis is presented in order to test the study’s central hypotheses, including interaction effects to account for the role of change management practices in the implementation of cutbacks. All descriptive and inferential statistics were done using SPSS 21.
4.1 The measurement model

The first step in the Anderson and Gerbing (1988) two-step approach is to examine the overall factor structure of all the research variables. Based on the results of this confirmatory factor analysis, the measurement model is then modified. Here, the modifications made to enhance the model included the introduction of some error correlations. The overall fit of the measurement model was tested using absolute and relative fit indices. In general, a chi-square test is used to assess the sample data in relation to the implied population data. However, there are concerns about using the chi-square test because its probability is sensitive to sample size (Jöreskog, 1993). In larger samples (as in this research), the chi-square test almost always leads to the rejection of the model because the difference between the sample covariances and implied population covariances will lead to a higher chi-square value if the sample size increases. As a result, a number of alternative fit measures have been developed (Hu & Bentler, 1999), including the Normed Fit Index (NFI) and the Comparative Fit Index (CFI). The values for this model were .93 (NFI), and .93 (CFI). In the social sciences, a cutoff value of .95 is the prescribed norm (Hu & Bentler, 1999). Based on these fit indices, one can conclude that the model is a reasonable fit. In addition, the Root Mean Square Error of Approximation (RMSEA) value of .060 indicates that the model is a reasonable fit (Byrne, 2001). Each indicator significantly loaded onto the appropriate factor and all loadings were above .54. These results verify the posited relationships among the indicators and constructs, thus demonstrating the convergent validity of the constructs. Further, Bagozzi and Philips (1982) argue that discriminant validity is achieved in SEM if the unconstrained model has a significantly lower chi-square value than the constrained model. In this study, the chi-square value for the

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1 Chi-square value = N* difference between sample covariances and implied population covariances.
unconstrained model (CMIN 8471.963/DF 367) is significantly lower than for the constrained model (CMIN 14068.603/DF 373). Thus, for this model, discriminant validity has been demonstrated.

4.2 Descriptive statistics and correlations

In table 2, the means, standard deviations, and correlations between the constructs are presented
Table 2: Means, standard deviations and correlations (N = 6066)

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<tbody>
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<td>1 Age</td>
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<td>2 Gender</td>
<td>.414</td>
<td>.493</td>
<td>-.132**</td>
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<td>3 Education level</td>
<td>4.11</td>
<td>.745</td>
<td>-.097**</td>
<td>.048***</td>
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<td>4 Organizational size</td>
<td>5.4</td>
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<td>-</td>
<td></td>
<td></td>
<td>.053***</td>
<td>.053***</td>
<td>-</td>
<td>-.040**</td>
<td>-</td>
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<td>5 Last reform after 2012</td>
<td>.148</td>
<td>.355</td>
<td>.086***</td>
<td>.086***</td>
<td>-.006</td>
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<td>6 Organizational commitment</td>
<td>3.68</td>
<td>.763</td>
<td>.020</td>
<td>-.006</td>
<td>.014</td>
<td></td>
<td>.025*</td>
<td>.107***</td>
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<tr>
<td>7 Work engagement</td>
<td>3.99</td>
<td>.666</td>
<td>-.001</td>
<td>.021</td>
<td>.036**</td>
<td>-.023*</td>
<td>.041**</td>
<td>.560***</td>
<td>-</td>
<td></td>
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<tr>
<td>8 Cutbacks</td>
<td>.626</td>
<td>.484</td>
<td>-.034**</td>
<td>-.004</td>
<td>-.032**</td>
<td>.020</td>
<td>-</td>
<td>.163***</td>
<td>.170***</td>
<td>.064***</td>
<td>-</td>
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<td>9 Communication</td>
<td>2.92</td>
<td>0.97</td>
<td>.007</td>
<td>.001</td>
<td>-.003</td>
<td>-.013</td>
<td>.059***</td>
<td>.338***</td>
<td>.137***</td>
<td>-</td>
<td>.123***</td>
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<tr>
<td>10 Participation</td>
<td>2.58</td>
<td>0.97</td>
<td>.000</td>
<td>.029</td>
<td>.006</td>
<td>-</td>
<td>.055***</td>
<td>.350***</td>
<td>.160***</td>
<td>-</td>
<td>.622***</td>
<td>.165***</td>
<td></td>
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<tr>
<td>11 Management support</td>
<td>3.73</td>
<td>.78</td>
<td>.097***</td>
<td>-.001</td>
<td>.065***</td>
<td>-.120***</td>
<td>.085***</td>
<td>.128***</td>
<td>.098***</td>
<td>-</td>
<td>.201***</td>
<td>.246***</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>12 Individual attention</td>
<td>2.55</td>
<td>.96</td>
<td>-.041**</td>
<td>.016</td>
<td>.031**</td>
<td>-</td>
<td>.067***</td>
<td>.429***</td>
<td>.206***</td>
<td>-</td>
<td>.618***</td>
<td>.642***</td>
<td>.205***</td>
<td>-</td>
</tr>
</tbody>
</table>

M: Mean, SD: Standard Deviation, *: p < .05, **: p < .01, ***: p < .001
Table 2 indicates significant negative relationships between cutbacks and the variables representing employee wellbeing (organizational commitment and work engagement). Two t-tests were done to further assess the relationship between cutbacks, organizational commitment and work engagement. Both t-tests indicated significant differences ($p < .001$) between the respondents that had experienced organizational changes that were aimed at cutbacks versus respondents that had experienced change related to innovation. The mean scores for both groups are given in table 3. Although both the t-test for organizational commitment and work engagement indicated significant differences, it should be noted that the difference between cutbacks and innovation is three times greater for organizational commitment than for work engagement.

<table>
<thead>
<tr>
<th></th>
<th>Respondent has experienced change aimed at cutbacks (n = 2267)</th>
<th>Respondent has experienced change aimed at innovation (n = 3799)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational commitment</td>
<td>3,57</td>
<td>3,84</td>
</tr>
<tr>
<td>Work engagement</td>
<td>3,96</td>
<td>4,05</td>
</tr>
<tr>
<td>Communication</td>
<td>2,81</td>
<td>3,07</td>
</tr>
<tr>
<td>Participation</td>
<td>2,79</td>
<td>2,46</td>
</tr>
<tr>
<td>Management support</td>
<td>3,90</td>
<td>3,62</td>
</tr>
<tr>
<td>Individual attention</td>
<td>2,74</td>
<td>2,43</td>
</tr>
</tbody>
</table>

All differences are significant with $p < .001$
4.3 Regression analysis and interactions

In the final step of the analysis, the independent variables were regressed on the dependent variables in the study: organizational commitment and work engagement. An advantage of regression analysis is that the relationship between multiple dependent variables and a dependent variable can be assessed simultaneously. Because only a single dependent variable can be selected, separate regression analyses were done for organizational commitment and work engagement. In order to investigate the interactions between cutbacks and the different change management practices, all independent variables were transformed into standardized Z-scores. Product variables (for example Communication * Cutbacks) were then computed in order to assess the combined effects of change management practices and reforms aimed at implementing cutbacks. The results of the regression analyses are presented in table 4.
Table 4  Regression analysis (N = 6066)

<table>
<thead>
<tr>
<th></th>
<th>Organizational commitment</th>
<th>Work engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>.024*</td>
<td>-.007</td>
</tr>
<tr>
<td>Gender</td>
<td>-.013</td>
<td>.018</td>
</tr>
<tr>
<td>Education level</td>
<td>-.007</td>
<td>.025*</td>
</tr>
<tr>
<td>Organizational size</td>
<td>.065***</td>
<td>-.036***</td>
</tr>
<tr>
<td>Last reform after 2012</td>
<td>.055***</td>
<td>-.021*</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>-</td>
<td>.563***</td>
</tr>
<tr>
<td>Work engagement</td>
<td>.485***</td>
<td>-</td>
</tr>
<tr>
<td>Cutbacks</td>
<td>-.077***</td>
<td>.034**</td>
</tr>
<tr>
<td>Communication</td>
<td>.055*</td>
<td>-.037</td>
</tr>
<tr>
<td>Participation</td>
<td>.052*</td>
<td>-.007</td>
</tr>
<tr>
<td>Management support</td>
<td>.032</td>
<td>.061**</td>
</tr>
<tr>
<td>Individual attention</td>
<td>.186***</td>
<td>-.008</td>
</tr>
<tr>
<td>Communication * Cutbacks</td>
<td>.021</td>
<td>-.012</td>
</tr>
<tr>
<td>Participation * Cutbacks</td>
<td>.027</td>
<td>-.012</td>
</tr>
<tr>
<td>Management support * Cutbacks</td>
<td>-.049**</td>
<td>-.024</td>
</tr>
<tr>
<td>Individual attention * Cutbacks</td>
<td>.052*</td>
<td>-.008</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.442</td>
<td>.320</td>
</tr>
</tbody>
</table>

Standardized regression coefficients (beta's) are reported. *: p < .05, **: p < .01, ***: P < .001.

The results of the regression analysis indicate that the implementation of cutbacks is negatively related to organizational commitment. This result is in support of H1. However, the analysis does not fully support the theoretical expectations expressed in hypothesis 1, since the implementation of cutbacks is not negatively related to work engagement in our sample. The data even indicate a significant positive relationship between cutbacks and work engagement. Hypothesis 1 is thus only partly supported: the implementation of cutbacks is negatively related to the organizational commitment of Dutch public sector employees, but not to the degree they are engaged in their work.
The analysis further indicates several positive significant relationships between the four change management practices that were represented in the analysis (communication, participation, management support and individual attention) and the variables representing employee wellbeing. High quality change communication, a high degree of participation in the change process and individual attention for the needs and worries of employees are positively related to employee organizational commitment. Especially the relationship between individual attention and organizational commitment is relatively strong. Furthermore, a high degree of management support is significantly related to the work engagement of respondents. Based on these results, change management practices can thus be expected to positively and directly impact employee wellbeing.

As hypothesized in hypothesis 2, we were especially interested in the interactions between change management practices and the implementation of cutbacks, in order to assess to what degree can different change management practices mitigate any negative effects of cutbacks on employee wellbeing. The analysis indicates two significant interaction effects, both related to the organizational commitment of employees. Perhaps the absence of significant interactions regarding work engagement can be explained by the relatively small effect size of cutbacks on work engagement: cutbacks are less related to work engagement than they are to organizational commitment. Therefore, there is less room for change management practices to moderate this relationship.

The first significant way in which change management practices may moderate the relationship between cutbacks and employee organizational commitment is through having individual attention for employees during the implementation process. The significant relationship that is indicated in the regression
analysis is plotted in Figure 1 in order to interpret the effect. The slopes indicate that employees who have experienced a high degree of individual attention report a higher degree of organizational commitment than respondents who have experienced little individual attention. This is due to the direct positive relationship between individual attention and organizational commitment. However, Figure 1 also shows that the slope representing the negative relationship between cutbacks and organizational commitment is more negative for employees who have experienced a low degree individual attention. This indicates that paying individual attention to employees during the implementation of cutbacks may help to mitigate negative effects on employee organizational commitment.

**Figure 1** Interaction Individual attention * Cutbacks
The second way in which change management practices may mitigate the relationship between cutbacks and organizational commitment concerns the degree of management support for the cutbacks during the implementation process. The significant relationship is plotted in Figure 2 in order to interpret the effect. The plotted relationship shows that in situations characterized by low cutbacks (due to the dichotomous nature of our cutbacks variable, this represents innovation-related change), employees who experience a high level of management support for the change have a higher degree of organizational commitment than employees who report a lower level of management support. However, in organizational change aimed at the implementation of cutbacks, a higher degree of management support results in a lower degree of organizational commitment. Rather than mitigating the negative relationship between cutbacks and innovation, the analysis suggests that explicit management support for cutbacks may strengthen the negative effects of cutbacks on employee wellbeing.

Figure 2  Interaction Management support * Cutbacks
The theoretical expectations expressed in hypothesis 2 posited that change management practices could potentially mitigate the negative relationship between cutbacks and employee wellbeing. The reality, as represented by our data, appears to be more complex and nuanced. Change management practices may moderate the effects of cutbacks on organizational commitment, but not work engagement. Moreover, individual attention and management support, significantly moderate the relationship between cutbacks and organizational commitment, while communication and participation do not. Finally, not all the change management practices that significantly impact the relationship between cutbacks and organizational commitment alleviate the negative impact of cutbacks. Individual attention for employees may mitigate the negative relationship between cutbacks and organizational commitment, while explicit management support may strengthen negative effects.

5 Discussion and conclusion

The negative relationship between cutbacks and employee wellbeing in public organizations is well documented (e.g. Levine, 1978; Raudla et al., 2013). Our study, which was aimed at the relationship between cutback implementation and employee wellbeing in the Dutch public sector, adds to the empirical evidence that the implementation of cutbacks may have negative effects for the job-related attitudes of civil servants. We argue that our study contributes in two ways to existing research, as well as organizational practice. First, the analysis indicates that employee attitudes related to the organization may be negatively affected by the implementation of cutbacks, but that the work-related attitudes of civil servants are not. Second, our
study highlights the importance of the implementation process in the implementation of cutbacks in the public sector.

With regards to the first contribution, the analysis presented in this study underlines that view that the implementation of cutbacks is negatively related to the wellbeing of employees (e.g. Levine, 1978, 1984; Raudla et al., 2013). Rather than physical wellbeing, we have concentrated on the psychological wellbeing of employees. We have distinguished between organizational commitment, an attitude that concerns the attachment of an individuals to their organization, and work engagement, an attitude that encompasses the energy and motivation that employees have in their job. The analysis indicates that the organizational commitment of employees is negatively influenced by cutbacks, but that their work engagement is not. On the one hand, this result underlines the view that the morale and wellbeing of employees in times of financial austerity should be a managerial priority. The managerial challenges inherent to the implementation of cutbacks should thus not only be seen in terms of financial or strategic decision-making, but also in terms of human resource management.

On the other hand, this result also indicates that not all psychological attitudes of public sector employees are affected equally. Organizational commitment is negatively affected by cutbacks, while work engagement is not. Employee attitudes toward the organization are thus negatively affected, while attitudes toward the job are not. This result resonates with Yang and Pandey (2008) and Yang and Kassekert (2010), whose work shows that public sector reform does not necessarily have negative effects. The implementation of cutbacks at a school, for example, may thus cause teachers to feel less committed to the organization, but it does not deprive them of their energy and motivation in their work. Because of this, the negative
consequences for a drop in organizational performance in the public sector as a result of cutbacks may thus be limited.

Perhaps the absence of a negative relationship between cutbacks and work related attitudes can be explained through the distinct motivational bases which have been attributed to public sector personnel (Perry & Wise, 1990; Perry, 1996; Vandenabeele, 2007). In a recent study of a city undergoing a reorganization and reduction in workforce, Wright, Christensen & Issett (2013) show that the motivational drive to contribute to society that often characterizes public sector employees, also known as public service motivation (PSM), may explain why civil servants are supportive of organizational change, even if these changes negatively impact their work. At the heart of the argument made by Wright et al. (2013) is the ‘self-sacrifice’ dimension, which makes civil servants less likely to resist changes that have negative consequences. In a similar mechanism, public service motivation could possibly explain why the work-related attitudes of public sector employees are not negatively affected by the implementation of cutbacks. We therefore underline the suggestion by Wright et al (2013: 7) that “although PSM does not increase support for austerity-driven changes because of their potential benefits, it can at least reduce employee resistance by decreasing the emphasis that employees put on the potential personal costs associated with these changes”. There is thus reason to believe that PSM may shield public sector employees from or absorb some of the negative consequences of cutbacks.

The second contribution of our paper to the literature on implementing cutbacks in the public sector is our explicit emphasis for the process of change. Other studies have argued that the public sector literature on reform and change has paid little attention to implementation processes (e.g. Kuipers et al., 2014; Kickert, 2010).
Recent studies of change in public sector organizations have indeed shown that implementation processes have a large bearing on employee support for change (Van der Voet, 2013; Wright et al., 2013). Our interest in the role of change management practices during the implementation of cutbacks has not been aimed at creating support for the change among employees, but to what extent change management practices may help to mitigate any negative effects of cutbacks on employee wellbeing.

The analysis indicates that the two common change management strategies, communication and participation, do not mitigate the negative relationship between cutbacks and organizational commitment. However, paying individual attention to the needs and worries of employees during the implementation of cutback can decrease the negative relationship between cutbacks and organizational commitment. This result can be understood because of the particular nature of cutbacks as an organizational change. All organizational changes are likely to result in uncertainty or even anxiety among personnel. However, cutbacks are even more likely to distress among personnel, because they affect the job security of employees (Levine, 1978, 1984). Rather than a one-size-fits-all communication program, which is often applied in the implementation of change in public organizations, managers would do well to personally communicate sensitive information, and not only send information about the change but also engage in a personal dialogue with employees in order to take away anxiety and uncertainty.

While the analysis shows that individual attention for employees can be a means to alleviate some of the negative effects of cutbacks, another change management practice may increase rather than mitigate the negative effects of cutbacks. The data indicate that explicit management support may help to sustain
organizational commitment in innovation-related change, but it may strengthen the negative relationship between cutbacks and organizational commitment. In the implementation of cutbacks, managers may choose to smooth or resist decline (Levine, 1978). No manager will enthusiastically accept the need to make cuts in the organization, but, as is argued by Levine, resistance is risky. The analysis in this study indicates that accepting and championing cutbacks may be risky too, as there is a risk of alienating employees and thereby decreasing the negative relationship between cutbacks and employee organizational commitment.

Concluding, our data suggests that change management practices may mitigate the negative relationship between the implementation of cutbacks and employee wellbeing, albeit to a limited extent. Although this finding may be promising to organizational practice, we remark the degree to which change management practices are actually applied in the Dutch public sector is relatively low. As can be seen in table 2, the mean score of most change management practices is well below the theoretical mean of 3. Moreover, the t-tests in table 2 suggest that change management practices are significantly less applied in reforms aimed at cutbacks than in innovation-related change. While our study thus suggests that change management practices may contribute to the implementation of cutbacks, we simultaneously highlight the need to apply change management practices more rigorously in practice.

References


Van der Voet, J. (2013). The effectiveness and specificity of change management in a public organization: Transformational leadership and a bureaucratic organizational structure. European Management Journal, online advance access: http://dx.doi.org/10.1016/j.emj.2013.10.001


Appendix A: Measures

Change management practices

Communication
1. Employees were regularly informed about the implementation of the reform.
2. The communication before, during and after the reform was clear.

Participation
1. There was enough possibility for employees’ own ideas and input.
2. A broad coalition of employees who support the change was built.

Management support
1. The higher managers of the organization supports the reform.
2. My direct supervisor supports the reform.

Individual attention
1. There was enough attention for my personal worries about the reform.
2. Individual attention was given to employees who had trouble with the reform.

Employee wellbeing

Work engagement
1. I am proud of my job.
2. My job inspires me.
3. I am enthusiastic about my profession.
4. I am proud of the work I execute.
5. I feel happy when I work intensively.
6. My work gives me energy.
7. When I am working, I feel full of energy.
8. When I wake up in the morning, I look forward to start working.
9. I do meaningful work.

Organizational commitment
1. I have little reason to leave this organization.
2. Compared to other organizations, working for this organization is predominantly positive.
3. I have the feeling that this is a suitable organization for me.
4. There are many reasons to continue working for this organization.
5. I support the goals of this organization.
6. I have sufficient opportunities to apply my competences