

EFFECTS OF DOWNSIZING ON JOB SATISFACTION OF EXISTING EMPLOYEES IN BANKING SECTOR OF PAKISTAN

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Abstract- Workforce downsizing has become a popular strategy done by management to reduce cost and increase profit. But on the other side, it effects on the workforce. Through the quantitative research, the current study examines the effects of downsizing on job satisfaction of existing employees in banking sector of Pakistan. The sample of the current study is drawn from the banking sector of Pakistan and the data is gathered through questionnaires from the sample size of 80 employees. The data is analyzed by applying one sample *t*-test to identify the relationship between downsizing and job satisfaction of employees and the questionnaire reliability analyzed by applying Cronbach's alpha reliability in IBM SPSS version 19. The study used 5% significance level.

Results indicated that there is relationship between downsizing and job satisfaction of existing employees and downsizing effects on employee's job satisfaction, job security and communication in an organization. This study will enable the academicians, policy maker and management of an organization to understand the effects of downsizing on job satisfaction of employees and the study provided recommendations for the management to maintain and improve job satisfaction of the remaining employees in an organization after downsizing.

Index Terms- Downsizing, layoff survivors, job satisfaction, job security, communication.

I. INTRODUCTION

Downsizing in organizations is becoming a popular practice in today's business environment. Every organization attempts to expand or reduce their employees according to their needs, requirements and business conditions. Many of the previous research focus on finding the impact of downsizing on layoff survivors and this impact is measured by different variables in different sectors such as impact of downsizing on motivation, organizational commitment and psychological well being among workers of tertiary and secondary organizations of Pakistan (Faheem Qaiser Jamal, 2013) and the impact of supervisory and organizational support on supervisor's organizational commitment after downsizing (Amir gulzar and Shumaila Latif, 2011). Very little work has been done to find out the impact of downsizing on job satisfaction of existing employees in banking sector of Pakistan. This study attempts to dearth the previous research gaps.

Organizational downsizing is a set of tasks and activities which is undertaken by the management to improve organizational performance, productivity, efficiency and competitiveness (DeYoung and Mirabel, 2005). Leftover employees after downsizing process are known as layoff survivors or existing employees in the organization (Virick, 2007). Organizations expect quantitative results of the organization performance after downsizing to achieve their goals with minimum negative publicity and effects but on the other side this process affects negatively layoff survivors (Donia & Appelbaum, 2001). Similarly, downsizing results in discouragement of the layoff survivors, decrease cooperation and teamwork and increased level of turnover, stress, anxiety and absenteeism.

PROBLEM STATEMENT

Some minor studies have been conducted in Pakistan at different levels to find out the issues relating to downsizing, though there are still some areas needed to be further research (Ngirande, H., Terera, S. R., & Mutodi, Paul, 2014). This research, therefore aimed at investigating the effects of downsizing on job satisfaction of existing employees in banking sector of Pakistan.

RESEARCH QUESTION

The research is guided by the following questions:

1. How job satisfaction of layoff survivors is affected by downsizing within an organization?
2. How job security of the layoff survivors is affected by downsizing within an organization?
3. How communication between managers and layoff survivors is affected by downsizing within an organization?
4. What are the possible solutions for the managers in implementing the downsizing process effectively?

OBJECTIVE OF THE STUDY

The aim of the study is to investigate the effect of downsizing on the job satisfaction of employees in banking sector of Pakistan. To help achieve this main objective, the specific objectives are identified:

- To discover the concepts of downsizing.
- To determine the job satisfaction of existing employees after downsizing.
- To determine the job security and communication of employees.
- To formulate recommendations for academicians and policy makers in terms of job satisfaction, which provide foundation to management in academic training and in making of policy.

SIGNIFICANCE OF THE STUDY

This study facilitates both the academicians as well as management. This study provides guidance to academicians for providing academic training. This study enables the management to make effective planning for downsizing, directing, motivating and controlling to achieve desired results of downsizing. This study also provides guidance for managers to encourage and maintain job satisfaction level of survivors.

LIMITATIONS OF THE STUDY

There are some limitations and problems in conducting the study are as follows:

- Data have been gathered from different banks and every bank have adopted its own culture and personality which could be the reflection of employee's perception and feeling, which may diverge the result of the research.
- Due to pressure of time and limitation of resources, it is restricted to consider and measure more variables.
- It would have been more reliable and interesting results, if the level of job satisfaction of layoff survivors obtained before the downsizing process and then compared with the level of job satisfaction after downsizing process.

II. LERATURE REVIEW

Several studies have been conducted on downsizing to find out its effects on organization (Hamed, W., Bowra, Z. A., Aleem, M., & Hussain, A., 2013). this section of the research paper defines the review of literature from the past researchers on the effect of downsizing on different variables in an organization.

Malik, M. I., Ahmad, A., & Hussain, S (2010) has investigated the influence of downsizing on life satisfaction and job satisfaction of layoff survivors in Pakistan from the sample size of 600 layoff survivors of HBL and PTCL across the country but only 450 employees respond to the study in the time duration of two months. The data is analyzed by applying correlation, regression and independent sample t-test and the result shows that downsizing is negatively correlated with the life satisfaction and job satisfaction on layoff survivors but job satisfaction and life satisfaction are positively related.

Ngirande, H., Terera, S. R., & Mutodi, P (2014) has investigated to discover the effect of downsizing on job satisfaction of survivors and to identify whether the relationship between job satisfaction and employee's organizational commitment or not from the sample size of 123 respondents in South Africa. Pearson Product moment correlation is used to test the hypothesis and the study revealed that there is relationship between the job satisfaction and organizational commitment among the layoff survivors exist.

Crispen Chipunza and David. M. Berry (2010) has investigated to identify the relationship between layoff survivor's attitude, commitment and motivation from the sample size of 150 layoff survivors in South Africa by applying the central tendency and correlation analysis. The study revealed that there is high level of motivation moderate to satisfactory level of attitude and motivation and there is significant relationship between survivor's motivation and commitment and suggested that managers should have knowledge that which type of downsizing process they are implementing and they should be keep difference in treatment of layoff survivors during and after downsizing.

Hamed, W., Bowra, Z. A., Aleem, M., & Hussain, A. (2013) has conducted the research in Pakistan in order to investigate whether the organization are doing well in achieving their objectives of downsizing or not from the sample size of the staff in the banks that did downsizing by 10% or more. The financial data have been analyzed at two different time spans of pre-downsizing and post downsizing by ratio analysis and the hypothesis is tested by applying the paired sample t-test. The study revealed that the banks could not achieve their objective of improving financial performance and it is suggested by the researcher to the management of bank to avoid such practices which negatively affects the career of the employees and the possibility for the bank to lose their trained and expert employees.

Fernando Munoz-Bullon and Maria Jose Sanchez-Bueno (2008) have researched the effects downsizing on corporate performance in Spain from the sample size of 10 to 200 employees of Spanish manufacturing firms by applying the Pearson's correlation coefficient. The study revealed that downsizing does not leads to improvements in corporate performance either it is profitability or productivity. So, the implications of the findings by researcher for both academics and practitioners is that before downsizing a company must conduct a solid analysis of situation and evaluate cost saving and be careful to adopt such practices that impact negatively on employees.

Ikyanyon, D. N. (2012) has researched to investigate the perception of downsizing as financially inevitable, effective and liberating impact on the job satisfaction of survivors in 8 banks of Makurdi metropolis in Nigeria from the sample size of 150 layoff survivors by applying person's product moment correlation and regression analysis to test the hypothesis. The findings of the result indicated that the perception of the layoff survivors of downsizing as financially effective and inevitable affect their job satisfaction negatively while the relationship between layoff employee's perception of downsizing as liberating for sufferers and job satisfaction was positive.

Another study conducted in Pakistan on downsizing by Faheem Qaisar Jamal (2013) to examine the impact of downsizing on survivors' affective organizational commitment, work motivation and psychological well-being. The data is collected from the sample size of 299 employees before downsizing and 520 respondents after downsizing and paired sample t-test, independent sample t-test, correlation coefficient and regression analysis is applied to analyze the data. The results revealed that downsizing negatively affects the affective organizational commitment, work motivation and psychological well-being of the layoff survivors.

Christine Christine (2004) has researched in New Zealand to find out the relationship among the survivor syndrome, organizational commitment and the psychological contract with a significant difference between the level of commitment felt by academic and non-academic staff from the sample size of 60 employees and data is analyzed by applying the sample t-test and two-tailed independent sample test. The research has revealed that non-academic staff shows a higher affective commitment than academic staff, non-academic staff shows a higher level of normative commitment than academic staff and continuance commitment is of same level in both academic and non-academic staff.

Oluoch Mercy Florah, Dr. Michael Otieno Nyagol and Nyandiga Gilbert Oluoch (2013) have conducted the study to find out the effects of downsizing on survivors and the performance of dominion farms in Kenya from the sample size of 180 employees by applying the regression analysis. The results revealed that survivors are less committed than unaffected employees, positively associated with job stress and negatively associated with organizational support.

Carl P. Maertz, Jr, Jack W. Wiley, Cynthia lerouge and Michael A. Campion (2003) has conducted the study in California from the sample size of 13,683 U.S employees to compared the survivors of layoffs, offshoring, outsourcing and combination of a group who never experienced downsizing. The results indicated that survivors of layoff perceived lower organizational performance, job security, affective attachment, and higher turnover intentions than the comparison.

Sopian Bujang and Noorfiza Sani (2008) in Malaysia have systematically analyzed the 50 recent studies (2000-2008) of literature search on the effects of downsizing on layoff survivors at the individual level of the organization. The researcher has observed that almost all 450 relevant studies of the downsizing processes have directly or indirectly negative consequences on the survivors' emotions and behaviors. The researcher has suggested that the management should give the opportunity to the employees by involving them in the downsizing decision and by providing financial and training assistance to manage and accept change.

Alicia S.M. Leung and Ludwig M.K. Chang (1999) have researched the effects of downsizing on changes in two forms of employee commitment, changes in job stressor and perception of job security from the sample size of 121 employees in Hong Kong and correlation analysis and t-test is applied to test the hypothesis. After the study the researcher has observed that downsizing has a significant impact on the change of manager's affective commitment that becomes lower and the continuance commitment became higher.

Shumaila Latif, A. G. (2011) has researched to identify the supervisor support and organizational support factors that facilitate organizational commitment among layoff survivors to reduce high attrition from the sample size of 300 layoff survivors in telecommunication sector of Pakistan. To test the hypothesis, researcher has used the correlation and regression analysis. The researcher has observed that there is strong relationship between supervisor's support and organizational support to the organizational commitment, supervisor support is considered more influential than organizational support to facilitate organizational commitment and supervisor's support mediates the relationship of organizational support to organizational commitment.

N Ndlovu, S Brijball Parumasur (2005) has conducted the research in South Africa to examine the "survivor syndrome" and examine the impact of downsizing on communication, trust, employee's commitment and loyalty, morale and career advancement opportunities from the sample size of 361 employees and data is analyzed using descriptive (measures of central Tendency and dispersion) and inferential (correlation, t-test, Analysis of variance, multiple regressions). The researcher has analyzed that downswing not only affects the workers who lose their jobs but even the survivors.

Mika Kivimäki, Jussi Vahtera, Jaana Pentti, Jane E Ferrie (2000) has researched in Finland and London to discover the underlying mechanisms between organizational downsizing and decline of health of employees from the sample size of 764 municipal employees, which takes the time duration of 4.9 years to conduct study. Regression analysis was applied to analyze the data. It is found that downsizing was associated with negative changes in work, social relationships, and health related behaviors and the sickness absence rate was higher after downsizing.

III. METHODOLOGY

RESEARCH DESIGN

A quantitative research method is used in the study and deductive approach is adopted to identify the effects of downsizing and job satisfaction of existing employees in banking sector of Pakistan. The philosophy of interpretivism is adopted to conduct the research because the study explores in subjective meaning and it will focus on words, observations and meanings and difference between humans in roles (Saunders Fifth edition). The data is gathered through the distribution of likert-type scale questionnaire. To test the hypothesis, one sample *t*-test applied and SPSS tool is used to analyze the data.

POPULATION AND SAMPLE

This study is conducted in the banking sector of Pakistan so the sample of the study is the bank that did downsizing and the sample size is 80 employees of banking sector, which is drawn from Taro Yamane sampling formulae.

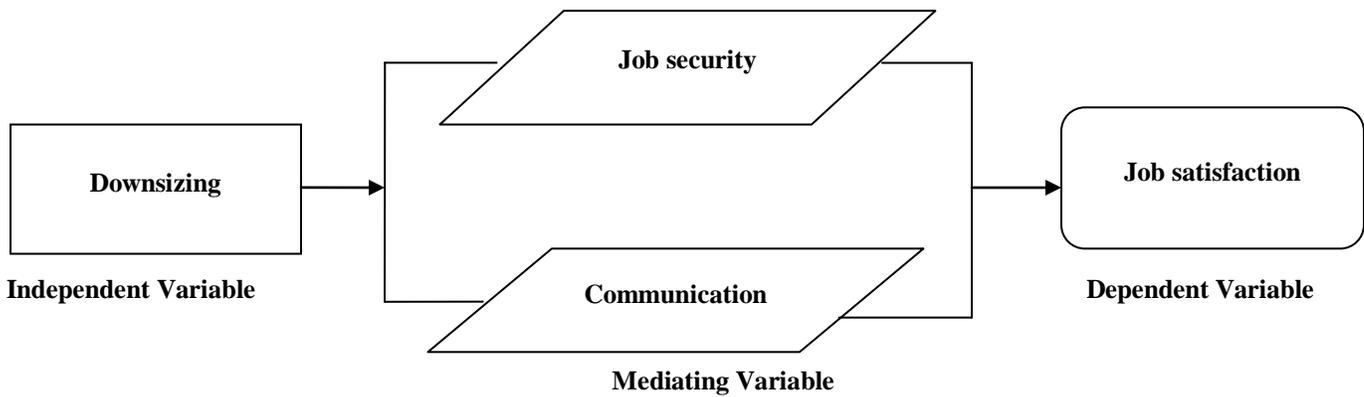


Figure 1: Theoretical Framework

RESEARCH HYPOTHESIS

- H_{A1}**: There is relationship between downsizing and job satisfaction of existing employees.
- H_{o1}**: There is no relationship between downsizing and job satisfaction of existing employees.
- H_{A2}**: There is relationship between downsizing and job security.
- H_{o2}**: There is no relationship between downsizing and job security.
- H_{A3}**: There is relationship between downsizing and communication.
- H_{o3}**: There is no relationship between downsizing and communication.

IV. DATA ANALYSIS

RELIABILITY OF THE QUESTIONNAIRE

Table I: Cronbach’s Alpha Reliability Statistics:

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.753	.755	18

As shown in the above table, the Cronbach’s alpha reliability for the whole questionnaire is 0.753, which is regarded as good.

ONE SAMPLE T-TEST ANALYSIS

In this research paper, one sample *t*-test is used to determine whether the sample mean is statistically different from a known or hypothesized population mean.

HYPOTHESIS NO: 01

Table II: Descriptive Statistics of One Sample T-Test:

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Job satisfaction	80	3.2083	.72211	.08073

As shown in the descriptive table of one sample *t*-test, the estimate mean of the sample is 3.2083 along with the standard deviation and standard error 0.72211 and 0.08073 respectively.

Table III: One Sample T-Test Statistics:

One-Sample Test						
Test Value = 3						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Job satisfaction	2.580	79	.012	.20833	.0476	.3690

The first hypothesis of the study (H_0) was stated as, “there is no relationship between downsizing and job satisfaction of existing employees”. Through above table it is observed that, t -value is positive 2.580 which means that estimated mean value is greater than actual value of mean. The p -value is 0.012 which is less than the level of significance 0.05. The result shows that there is relationship between downsizing and job satisfaction of existing employees, which means that the process of downsizing effects on job satisfaction of employees in banking sector of Pakistan. Therefore, we do reject the null hypothesis.

HYPOTHESIS NO: 02

Table IV: Descriptive Statistics of One Sample T-Test:

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Job security	80	3.2750	.86138	.09631

This descriptive table of one sample t -test shows the mean of the sample is 3.2750 along with the standard deviation of 0.86138 and standard error of 0.09631.

Table V: One Sample T-Test Statistics:

One-Sample Test						
Test Value = 3						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Job security	2.855	79	.005	.27500	.0833	.4667

The second null hypothesis of the study (H_0) was that, “there is no relationship between downsizing and job security”. The one sample t -test statistics is positive 2.855, which means that our statistical mean is greater than our hypothesized mean. The p -value of the test is 0.005 less than the significance level of 0.05, which shows that there is relationship between downsizing and job security. Given this, the null hypothesis is rejected and downsizing in banks effects on the job security of existing employees.

HYPOTHESIS NO: 03

Table VI: Descriptive Statistics of One Sample T-Test:

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Communication	80	3.2167	.75956	.08492

This table shows that the estimated mean of the sample is 3.2167 along with the standard deviation and standard error of 0.75956 and 0.08492 respectively.

Table VII: One Sample T-Test Statistics:

One-Sample Test						
	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Communication	2.551	79	.013	.21667	.0476	.3857

The third hypothesis was stated as (H_0) “there is no relationship between downsizing and communication” and the corresponding alternative hypothesis (H_A) was that “there is relationship between downsizing and communication”. The t -value is in positive 2.2551, which shows that estimated mean is greater than the actual value of mean. The p -value of the test is 0.013 which is less than the level of significance 0.05. The result shows that there is relationship between downsizing and communication. So, the null hypothesis is rejected. Here comes the most crucial step for your research publication. Ensure the drafted journal is critically reviewed by your peers or any subject matter experts. Always try to get maximum review comments even if you are well confident about your paper.

V. FINDINGS OF THE STUDY

The findings of the study reveal that there is relationship between downsizing and job satisfaction of existing employees in banking sector of Pakistan. And there is relationship between downsizing and job security and downsizing and communication in banking sector of Pakistan because the management has not clarified employees what is expected from them after downsizing process and there were no open and honest channels of communication and the information of business strategy is given to employees only related to maintaining deposits (Survivors). So, the research reveals that practices of downsizing in banking sector of Pakistan effects on job satisfaction, communication and job security of existing employees.

VI. CONCLUSION

The study concludes that there is relationship between downsizing and job satisfaction, downsizing and communication and downsizing and job security of existing employees in banking sector of Pakistan, which means that the implementation of downsizing practices effects on employees job satisfaction, job security and communication. Mostly studies which were conducted on downsizing observed that downsizing effects negatively on employees (Cross and Travagione, 2006) noted negative effects of downsizing on employee’s job satisfaction, affective commitment, performance and increase in bad health issues. (Noer, 1993; Appelbuam, 2000; Thornill and Saunder, 1998) indicated that survivors after downsizing shown the symptoms include decline in loyalty, loss impairment caused by dissatisfaction with the planning and communication, job insecurity, loss of credibility in the firm’s management team, anger towards the process of downsizing and increased stress level. Similarly, it is observed by the (Baker, 2006) that the remaining employees after massive layoffs are sensitive to the effects of downsizing on the safety of their own jobs. In such situation, it seems morally wrong to take some pleasure from work.

The management and policy makers of an organization should develop effective strategies for employees to maintain their satisfaction level after downsizing because the success of downsizing depends on the remaining employees in the organization, who must provide their core competencies and knowledge to the organization for moving forward in their sector.

VII. RECOMMENDATIONS

The recommendations for the management and policy makers are as follows:

- It is recommended to the academicians and policy makers to adopt strategies to maintain and improve job satisfaction of remaining employees.
- The management should informed employees from the beginning and clarifies the reasons of downsizing, benefits associated with downsizing and the new and additional responsibilities to the remaining employees.
- The management should ensure open and honest communication.
- The management should support the emotions of employees and reassure them that their jobs are secure to prevent them from taking stress.

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