

Gender differences in the attitudes toward cutting people vs pay

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165

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Abstract

Purpose – The current research investigates the gender difference in the attitudes of current employees and job seekers (or “future” employees) to payroll cost reduction methods (downsizing vs cutting pay).

Design/methodology/approach – Two studies were conducted. In Study 1, we analyzed a secondary dataset (survey data) of 2,139 employees in Ireland. In Study 2, we conducted an online experiment on 384 people in the US.

Findings – Study 1 reveals that, for males, downsizing survivors’ commitment and job satisfaction levels are higher than those of employees whose pay is cut. In contrast, there were no differences in the commitment and job satisfaction levels between survivors of downsizing and pay-reduced employees for females. The analysis in Study 2 indicates that females are more attracted to organizations that utilize pay cuts over downsizing to overcome financial difficulties. In contrast, males demonstrated no differences in job-seeker attraction outcomes to organizations that chose either of these two payroll cost reduction methods. Thus, the results of the two studies indicate that females, compared to males, form less negative (or more favorable) attitudes toward pay cuts over downsizing.

Practical implications – The findings urge organizations to consider gender differences and develop relevant mitigation plans when one method must be chosen to reduce payroll costs.

Originality/value – The outcomes of this research indicate that the selection of a payroll cost reduction method may lead to a disparate impact on gender composition in an organization.

Keywords Payroll cost reduction, Downsizing, Pay cuts, Gender, Employee attitudes, Job-seeker attraction

Paper type Research paper

Introduction

With the increasingly fragile socio-economic climate caused by the past recessions (the Informational Technology (IT) crisis in 2001 and the financial crisis in 2008) and the COVID-19 crisis, many organizations were challenged to optimize efficiency by cutting costs without compromising labor productivity or the favorable attitudes of various stakeholders (e.g. commitment and job satisfaction for current employees and firm attractiveness and job pursuit intention for job-seekers or “future” employees), which can be the precursors of firm success (e.g. Akhmetshin *et al.*, 2017; Collings and Mellahi, 2009; Gong *et al.*, 2009). In times of recession, it is important to strategically align payroll cost reduction mechanisms with stakeholder management strategies to balance cutting costs while not derailing employees’ attitudes (Kelly, 2020; Smith, 2020).

Inevitably, there is debate about how different HRM practices, such as payroll cost reduction methods, can be strategically used to attract and retain employee talent in

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organizations and whether different methods operate distinctly across employee groups, such as men and women (Yoon, 2022; Yoon and Sengupta, 2024). Specifically, managing employee attitudes and the nature and composition of the workforce is regarded as an important predictor of organizational performance (Martin and Cerdin, 2014), especially during economic recessions (Harter *et al.*, 2020). Furthermore, policies that influence the composition of the workforce are also aimed at achieving greater gender diversity and inclusion in the workplace (e.g. Amorelli and Garcia-Sanchez, 2021; Fine *et al.*, 2020). Hence, it is not surprising that numerous recent reports indicate talent acquisition and retention to be the top priority of organizations worldwide (e.g. Glaister *et al.*, 2018; McDonnell *et al.*, 2017; Sparrow and Makram, 2015; Venkatesh *et al.*, 2017).

Among various payroll cost reduction practices, downsizing and cutting pay are accepted as the most common (Zingheim and Schuster, 2002). Although both options can be equally effective in reducing payroll costs, each method sends a distinctive signal to current employees and job seekers regarding what is valued within the organization (Yoon and Sengupta, 2024). Indeed, studies indicate that current employees, as well as job seekers, rely on these signals to evaluate organizational values and the attractiveness of the job and employer (e.g. Dineen *et al.*, 2002; Kammeyer-Mueller and Liao, 2006; Martin and Cerdin, 2014; Turban *et al.*, 2001; Yu, 2014). A good fit with an individual's characteristics results in a more favorable attitude toward that organization (Venkatesh *et al.*, 2017; Verquer *et al.*, 2003; Westerman and Cyr, 2004). Consequently, pay cuts and downsizing have implications for retaining and attracting employees possessing certain attributes or characteristics that may be "core" to the organization, which in turn influence the success of an organization in the current competitive climate (Glaister *et al.*, 2018).

As a result, there has been a need in the literature to investigate "who" reacts more (or less) favorably (or negatively) to a certain payroll cost reduction method (e.g. cutting pay) over the other method (e.g. downsizing) (e.g. Datta *et al.*, 2010; Yoon, 2022, 2023; Yoon and Sengupta, 2024). Despite this demand, studies investigating the moderating effect in comparing the attitudinal outcomes of pay cuts vs downsizing are extremely limited. To the best of our knowledge, the studies by Yoon and colleagues are the only published studies that explore this issue with the work sector (Yoon, 2023) and trust (Yoon and Sengupta, 2024) as the moderators in this comparison. Thus, we try to fill in this gap by adding gender as a moderator in the comparison model.

With the substantial increase in the female working population in the last several decades, managing talent in terms of gender diversity has garnered considerable attention and poses a key challenge for various reasons (Cheung *et al.*, 2020; Mousa *et al.*, 2020; Venkatesh *et al.*, 2017). First, managing talent in terms of gender composition is increasingly viewed as a key predictor of performance and behavioral outcomes (Cheung *et al.*, 2020; Venkatesh *et al.*, 2017). Kanter's (1977) tokenism theory and other research in group composition suggest that the gender composition of the workforce can influence both evaluative and affective outcomes (Cheung *et al.*, 2020). The relationship between gender composition and firm performance has been validated by a growing number of studies (Mousa *et al.*, 2020). Second, studies indicate that gender differences account for differing values, needs, and behaviors of employees, which in turn affect their attitudes and attraction toward HRM practices (Blau and Kahn, 2017; Chen *et al.*, 2008; Cheung *et al.*, 2020; Mousa *et al.*, 2020; Venkatesh *et al.*, 2017; Roethlisberger *et al.*, 2023). This is relevant for today's organizations also from a legal risk perspective, as implementing certain HRM practices may lead to a disparate impact on gender composition. For example, if males react more favorably to a particular HRM policy, organizations utilizing the policy may inadvertently attract and retain more male employees. As a result, organizations need to be aware of the implications and, in this case, may want to provide complementary HRM practices that could mitigate this risk.

Our research aim is to investigate how men and women respond differently to payroll cost reduction practices in terms of attitudinal outcomes. With limited research on this important issue, this paper investigates the moderating effect of gender on the attitudes toward the two key payroll cost reduction methods (i.e. pay cuts and downsizing). More specifically, we focus on the attitudes of two key employee-stakeholders of the firm, the current employees and job seekers (or the “future” employees), in investigating this moderating effect.

Two studies have been conducted to achieve this objective. The first study analyzes a secondary dataset (survey data) of 2,139 employees in Ireland who were affected by downsizing vs pay cuts with a view to examining the gender difference in the attitudes of the current employees in terms of affective commitment and job satisfaction. The second study investigates 384 people in the US through an online experiment. Through this, the study explores the gender difference in the attitudes of job seekers towards organizations with a history of downsizing and cutting pay, specifically in terms of general attractiveness and job pursuit intention.

Theoretical background and hypothesis

Payroll cost reduction methods

In this study, we define payroll cost reduction as an organization’s intentional act of reducing costs related to payrolls, such as wages and salaries (Yoon, 2022, 2023; Yoon and Sengupta, 2024). Considering that the total payroll cost of a given organization can be calculated as the total number of employees multiplied by the average pay amount, organizations can reduce their payroll costs in a relatively short time frame by utilizing either one or a mix of the following two methods (Yoon, 2022, 2023; Yoon and Sengupta, 2024). First, a firm can reduce the total number of employees that it hires through measures such as layoffs or termination of the employment contract. Second, an organization can lower the average pay amount by reducing the pay level of all or some employees. The former practice can be labeled as downsizing, and the latter can be labeled as cutting pay or pay cuts (Yoon, 2022, 2023; Yoon and Sengupta, 2024). Organizations can also reduce their payroll costs by dismissing their employees with a higher level of salaries and hiring workers with lower salary levels. However, this method is not considered or examined in this research. This is because the method requires a longer time frame to implement. Firms are often more interested in methods that can be implemented promptly under a crisis because of the pressure for survival.

Past studies on payroll cost reduction and its effect on attitudes

The theory and evidence suggest that the two key payroll cost reduction mechanisms (i.e. downsizing and pay cuts) have a negative effect on employee attitudes. The extensive research on the effect of downsizing on individual-level outcomes of survivors demonstrates that the relationship is often negative. For example, the review paper by Datta *et al.* (2010) identifies 26 scientific studies that examine the relationship between downsizing and various individual-level outcomes of survivors such as performance (e.g. Brockner *et al.*, 1997), motivation (e.g. Brockner *et al.*, 1993), job satisfaction (e.g. Armstrong-Stassen, 2002), and commitment (e.g. Allen *et al.*, 2001), and concludes that the downsizing, overall, negatively affects employee attitudes. More recent studies on this topic demonstrate similar results (e.g. Al-Hammali *et al.*, 2021; Arzuaga *et al.*, 2021; Harney *et al.*, 2018; Langster and Cutrer, 2021). In addition, the studies also indicate that downsizing negatively affects firm attractiveness for job seekers (e.g. Campos-Garcia and Zuniga-Vicente, 2018; Kammeyer-Mueller and Liao, 2006).

The limited research on pay cuts also indicates that cutting pay can be detrimental to employee attitudes and behaviors. For example, a study by Greenberg (1990) demonstrates

that employees who had their pay cut are more likely to engage in theft behaviors. Similarly, other studies on cutting pay show that pay cuts are negatively related to performance (Lee and Rupp, 2007) and morale (e.g. Buchanan and Houser, 2020; Diriwaechter and Shvartsman, 2018; Eilam-Shamir and Yaakobi, 2014; Fiorito *et al.*, 2007; Kube *et al.*, 2013; Lovett *et al.*, 2008; Smith, 2002; Snorraddottir *et al.*, 2013), and positively related to turnover (e.g. Coviello *et al.*, 2022; Sandvik *et al.*, 2021) and counterproductive behaviors (e.g. Coviello *et al.*, 2022).

Despite the persistent efforts to investigate the effects of payroll cost reduction methods on the attitudes and behaviors of employees and job seekers, two important research gaps remain. First, past studies tend to examine the outcome of either downsizing or pay cuts in isolation rather than comparing the effects of the two methods. For example, the studies on downsizing (e.g. Al-Hammali *et al.*, 2021; Allen *et al.*, 2001; Armstrong-Stassen, 2002; Arzuaga *et al.*, 2021; Harney *et al.*, 2018; Kammeyer-Mueller and Liao, 2006; Langster and Cutrer, 2021) compare the effect of downsizing with non-downsizing conditions. This is the same for most studies on pay cuts (e.g. Coviello *et al.*, 2022; Greenberg, 1990; Lee and Rupp, 2007; Lovett *et al.*, 2008; Sandvik *et al.*, 2021; Smith, 2002). However, insights into the relative effects of downsizing vs pay cuts are more relevant in helping managers and organizations make an informed choice. They can provide knowledge regarding the preferred payroll cost reduction mechanism to minimize the detrimental effects on employee or job-seeker attitudes. Although there are a few studies that contain both downsizing and pay cut variables with the attitudes as the outcomes in the analysis model (e.g. Eilam-Shamir and Yaakobi, 2014; Fiorito *et al.*, 2007; Snorraddottir *et al.*, 2013), the effects of the two payroll cost reduction methods were not directly compared or theorized.

A notable recent development is the studies by Yoon and colleagues (Yoon, 2022, 2023; Yoon and Sengupta, 2024). These studies directly compare the attitudinal outcomes of cutting pay vs downsizing for current employees (Yoon, 2023; Yoon and Sengupta, 2024) and job seekers (Yoon, 2022). These studies indicate that, overall, there is no difference in the level of attitudes of current employees who are affected by pay cuts (i.e. employees whose pay is cut) and downsizing (i.e. survivors of downsizing) (Yoon, 2023; Yoon and Sengupta, 2024). However, the studies also demonstrate that the survivors of downsizing, compared to pay-cut employees, exhibit more favorable (or less negative) attitudes toward their organization in the private sector in comparison to the public sector (Yoon, 2023). This is also the case when the employees have low trust in their management (Yoon and Sengupta, 2024). In contrast, job seekers demonstrate more positive attitudes toward organizations that decided to cut pay rather than downsize compared to organizations that have decided otherwise (Yoon, 2022). Thus, overall, the current state of research in comparing the attitudinal outcomes of pay cuts vs downsizing yields mixed results. As a result, more studies identifying contexts or situational factors where one payroll cost reduction method (e.g. cutting pay) generates more favorable (or less negative) attitudes over the other method (e.g. downsizing) seem to be in demand.

Attitude formation toward payroll cost reduction methods

An attitude refers to a tendency to appraise an object in a favorable or unfavorable manner (Eagly and Chaiken, 1993). Managing attitudes of various stakeholders (e.g. commitment for current employees and firm attractiveness for job seekers) is viewed as important as attitudes can translate into tangible behaviors or outcomes (Eagly and Chaiken, 1993) that can benefit or hurt firm performance. For example, studies have demonstrated that employee commitment is positively correlated with firm performance (Gong *et al.*, 2009).

An individual's attitude toward an object is developed by various means (Stern *et al.*, 1995). Among the various methods, the one that is commonly applied is to assess the benefits and risks that the object may have on people themselves (Eagly and Chaiken, 1993; Stern

et al., 1995). Thus, we can expect people to form a more favorable attitude toward a certain payroll cost reduction method based on the value the method can provide to (or threaten) themselves.

Related to this notion, the two theoretical frameworks developed in the management literature that can be applied are the person-organizational (P-O) fit (Kristof, 1996) and the psychological contract (Rousseau, 1995) theories. First, P-O fit refers to the compatibility between individuals and organizations (Kristof, 1996). Based on the P-O fit theory, it can be argued that the attitude of an individual towards an organization in general, and towards the payroll cost reduction strategies in particular, either depends upon the alignment between individual characteristics and organizational characteristics (i.e. supplementary fit) or between what an individual needs and what the organization offers (i.e. complementary fit) (Muchinsky and Monahan, 1987). The concept of complementary fit is relevant to the attitude formation process that is discussed above. The closer the alignment between the individual needs and what the organization can offer, the more favorable the employee attitudes will be towards the firm or specific policies. Second, the psychological contract refers to a perceived implicit set of mutual obligations between an employee and an organization (Rousseau, 1995). According to the psychological contract theory, employees form negative attitudes toward the organization when they perceive that the psychological contract is broken (Rousseau, 1995).

There is compelling evidence that P-O fit and psychological contract frameworks can predict the attitudes of current employees as well as job seekers. For example, a meta-analysis by Verquer *et al.* (2003) demonstrates that P-O fit is positively related to organizational commitment and negatively related to the turnover intention of the current employees. Furthermore, a study by Uggerslev *et al.* (2012) shows that P-O fit is the strongest predictor of applicant attraction compared to other factors such as job and organizational characteristics. There is also a plethora of evidence that a psychological contract breach can lead to unfavorable attitudes of both the current employees and job seekers. For example, a review of numerous studies on downsizing indicates that the practice leads to unfavorable attitudes (e.g. lower job satisfaction and commitment and higher turnover intention) of the current employees based on the feeling of a psychological breach (Datta *et al.*, 2010). Moreover, the study by McKinney *et al.* (2012) demonstrates that the embedded implied promise of job security increases the attractiveness of organizations from a job-seeker perspective, indicating that the psychological contract framework can also be utilized to predict the attitudes of job seekers.

Predicting which payroll cost reduction method yields a more favorable (or less negative) attitude, however, is difficult to predict as cutting pay and downsizing each has a different benefit to offer (or a different aspect of the psychological contract to be broken). Cutting pay violates the psychological contract of the promised pay amount for given labor (Chambel and Fortuna, 2015; Fiorito *et al.*, 2007), resulting in an immediate loss of pay. In contrast, downsizing poses a threat to job security, which is viewed as an intrinsic part of the psychological contract breach between an employee and employer (Bohle *et al.*, 2017). From the perspective of what is “to offer,” cutting pay, when framed as a method to save jobs and share the pain as a group, can provide a stronger perception of job security (Yoon and Sengupta, 2024). Downsizing, in contrast, can maintain the current pay level.

As a result, which payroll cost reduction method to generate a more favorable (or less negative) attitude can depend on individuals’ needs or values. In alignment with this argument, the study by Yoon (2023) illustrates that the current employees who are survivors of downsizing exhibit more favorable employee attitudes than employees affected by pay cuts only in the private sector, where employees tend to value high pay more than their counterparts in the public sector. Thus, for this research, we will not hypothesize the main effect in comparing the attitudinal outcomes of pay cuts vs downsizing.

We, however, can hypothesize how employee characteristics, such as gender, may elicit a more positive (or less negative) attitude toward one payroll cost reduction method over the other, as there are clear gender-based differences and preferences. For example, previous studies indicate that men prefer financial rewards more than women (Gati *et al.*, 1995). Thus, in the next section, we will build and develop a hypothesis of the moderating effect of gender on the attitudinal outcomes of pay cuts vs downsizing.

The moderating effect of gender on attitude formation toward payroll cost reduction methods

Women and men want different things in the workplace (Chow and Ngo, 2011; Venkatesh *et al.*, 2017). For example, women tend to be collectivistic, risk-averse, and prefer job security, whereas men are individualistic and prefer financial rewards (e.g. Blau and Kahn, 2017; Gati *et al.*, 1995; Roethlisberger *et al.*, 2023; Sumner and Niederman, 2003; Venkatesh *et al.*, 2017). Thus, men and women have different needs and are likely to display different attitudes toward pay cuts and downsizing depending upon the compatibility between their demands and those of the organization.

The varied and often divergent needs/preferences of men and women have been increasingly recognized in the gender pay gap literature as an important explanation for the perceived and persistent pay difference between genders (Blau and Kahn, 2017; Croson and Gneezy, 2009; Roethlisberger *et al.*, 2023). Drawing on a range of economic and socio-psychological theories (e.g. social comparison, equity, occupational socialization, relative deprivation, expectancy, social dominance theories, and gender socialization perspectives), it has been argued that there are various factors ranging from societal conditioning, individual expectations, value systems, occupational status, etc., which influence divergent male and female attitudes towards pay and perceptions of gender pay gap (Khoreva, 2011). There is evidence to suggest that women possess certain personality traits, such as more risk aversion (Croson and Gneezy, 2009), conscientiousness, agreeableness, and less willingness to negotiate (Damian *et al.*, 2019; Schmitt *et al.*, 2008). In contrast, men tend to place a high premium on financial rewards, are more self-confident and competitive, are not afraid to be disagreeable and bargain, and are less risk-averse (Blau and Kahn, 2017; Roethlisberger *et al.*, 2023). In addition, women exhibit a stronger wish to contribute to society and have a preference for family/people, which tend to lower their wages (Cutillo and Centra, 2017; Fortin, 2008; Grove *et al.*, 2011; Manning and Swaffield, 2008). Men's preference for earning money, taking leadership positions, and a stronger sense of competitiveness increase the gap (Fortin, 2008; Manning and Swaffield, 2008). Fortin (2005) and Piazzalunga (2018) find that traditional gender role attitudes have strong negative effects on wages for women but positive effects for men. Studies offering a systematic review of the gender pay gap literature offer further validation for these results and provide ample evidence of the relevance of personality traits and social norms in shaping gender-based preferences at the workplace and for understanding the gender pay gap with men earning significantly more than women (Blau and Kahn, 2017; Roethlisberger *et al.*, 2023).

Based on this extant evidence, it can be expected that women who tend to be more risk-averse, agreeable, and prioritize caregiving roles will tend to favor policies that offer job security and hence be averse to downsizing. In contrast, men who place a premium on financial rewards, are less risk averse, and are traditionally ascribed the role of the main breadwinner will have an aversion to cutting pay in comparison to downsizing. Hence, gender can be a factor moderating the attitudinal outcomes in comparing pay cuts vs downsizing, and more specifically, for the following two reasons.

First, in accordance with the complementary fit perspective of the P-O fit framework, we can expect that females perceive the decision of cutting pay over downsizing as a better fit in

that the decision provides benefits that females tend to need more. As discussed in the earlier section, pay cuts, when compared to downsizing, can signal stronger job security (Yoon and Sengupta, 2024). Job security can be needed more by females, compared to males, since they tend to experience more career disruptions owing to undertaking responsibilities towards their dependents (Cheung *et al.*, 2020). Also, owing to the gender role bias in the workplace, women tend to have less bargaining power in the labor market, resulting in lower pay and less job mobility when compared to men (Cheung *et al.*, 2020). Hence, fewer labor market opportunities may also contribute to women's need for greater job security. Role congruity theory also supports this notion by arguing that women are viewed unfavorably in the workplace because they are perceived as not having the necessary masculine qualities to fulfill the professional working role (Eagly and Karau, 1991; Cheung *et al.*, 2020). Similarly, Connell's model of gender hegemony points toward the subordination and marginalization of femininity to traditional masculinity (Connell, 1995, 2000). Furthermore, the status characteristics theory argues that when one's social category (e.g. gender) is more socially valued than the other, the members of the valued group (e.g. men) are viewed as having greater worth and competence (Berger *et al.*, 1977; Ridgeway, 2001). These theories are validated by the reality that men tend to occupy higher status and higher-paying jobs and occupations than women (e.g. Damelang and Ebensperger, 2020). Research, in general, demonstrates that female workers value job security more than males. For example, a study by Halaby (2003) shows that females express a stronger preference for bureaucratic job properties (properties characterized by low-risk and low return and also including job security) as opposed to entrepreneurial job properties (properties characterized by high-risk and high return). Cross and Madson (1997), based on a review, concluded that men place greater emphasis on extrinsic outcomes such as financial security and prestige. Women, in contrast, seek more interconnectedness with others, thus seeking and providing more social support (Cross and Madson, 1997).

Second, the psychological contract framework (Rousseau, 1995) may also predict that females prefer cutting pay (and saving jobs) over downsizing. When payroll cost reduction practices pose a threat to the loss of valued resources, it leads to psychological stress and a negative effect on employee attitudes (Jiang *et al.*, 2017). For example, downsizing, when compared to cutting pay and saving jobs, poses a threat to job security (Yoon and Sengupta, 2024), which is a valued resource for women and is also viewed as an intrinsic part of the psychological contract breach between an employee and employer (Bohle *et al.*, 2017). This, in turn, is likely to negatively affect the work attitudes of female survivors, in particular (Armstrong-Stassen, 1998). In contrast, cutting pay violates the psychological contract of the promised pay amount for a given labor (Chambel and Fortuna, 2015; Fiorito *et al.*, 2007), resulting in an immediate loss of pay, which is a valued resource, especially amongst male employees (Cheung *et al.*, 2020). Research outcomes also support this notion to some extent. For example, a literature search of 39 longitudinal, peer-reviewed, English-written studies from the period 2000 to 2012 revealed that restructuring, such as downsizing, had a negative impact on survivor well-being, and the effects were more pronounced amongst female employees (De Jong *et al.*, 2016).

As the P-O fit and psychological contract frameworks both predict the moderating effect of gender in the same direction in comparing the attitudinal outcomes of pay cuts vs downsizing, we hypothesize as follows.

- H1.* The gender will moderate the relationship between the use of payroll cost reduction method and attitudes in that females (compared to males) will form a more positive (or less negative) attitude toward cutting pay than downsizing.

To test the hypothesis, we conduct two studies examining the attitudes of the two key employee-stakeholders of the firms. The first study examines the attitudes of current

employees, and the second study investigates the attitudes of job seekers (or future employees). As there seems to be no compelling reason for this gender moderating effect to be different between current employees and job seekers, we do not develop separate hypotheses for each study.

Study 1 (current employees): methods

Overview and sample

In Study 1, we examine the attitudes of the current (or remaining) employees. To test our hypothesis, examining the attitudes of the employees who remained but were affected by the payroll cost reduction methods is especially important. This is because organizations are left to work with those who “remained” and are interested in which payroll cost reduction method less negatively “affects” employee attitudes. First, as examining only the attitudes of employees who “remained” is relevant, we do not investigate the attitudes of employees who lost their jobs in the process of downsizing. Second, as investigating only the attitudes of the workers who were “affected” is relevant, we do not examine the attitudes of employees who did not have their pay cut in a pay-reduced organization (where only some portion of the employees had their pay cut). As a result, we compare only the attitudes of employees who survived downsizing and those of employees who had their pay cut, as in the past study investigating a similar issue (Yoon, 2023; Yoon and Sengupta, 2024).

Study 1 analyzes the data from the 2009 National Workplace Survey (NWS) in Ireland (O’Connell *et al.*, 2010). The survey examined 5,110 employees in Ireland (excluding the employees in the agriculture sector) and was administered by the investigators of NWS via telephone from March to June of 2009. For this study, we use only the data of employee participants in NWS who either survived downsizing or had their pay cut ($n = 2,451$). The workers who were not employed directly by the firm that they work for (e.g. agency workers) were excluded from our final sample (1.5% of 2009 NWS respondents, $n = 77$). Excluding the missing data, the final sample consisted of 2,139 employees. The difference between the final sample data and the excluded data in NWS is outlined in Table 1. It shows that employees in the final sample tend to work in larger workplaces, their tenure tends to be longer, tend to be less composed of females, and they tend to get paid more. Although there are some statistically significant differences in the characteristics between the two groups, the practical difference does not seem large enough to presume that our final sample would not adequately represent the working population in Ireland.

The ordinary least square (OLS) method was applied to analyze the data. The OLS estimates can be relatively reliable within the same-level data structure (Shen *et al.*, 2018). Thus, we utilized the OLS method controlling for various characteristics that are at a higher level than the employee level (e.g. region, industry, and occupation; more details are explained in the following *Measures* section) in the 2009 NWS. However, the survey does not identify the organizations that the participants work for. Therefore, we could not control for workplace differences (e.g. applying multi-level analysis accounting for employees nested within workplace structure; Shen *et al.*, 2018). This is a duly acknowledged limitation in this study.

Measures

Employee attitudes. The attitudes of the current employees were operationalized as affective commitment and job satisfaction. This was to capture an employee’s attitudes toward the organization as well as the job for the following two reasons. First, a payroll cost reduction can affect the attitude toward an organization that an employee works for because the organization is the authority that initiated the change. To capture the attitude toward the organization, we utilized the construct of affective commitment (Mowday *et al.*, 1979), which

Variables	Final sample ¹	Mean	Difference
Occupation: managers and administrators	Y	0.151	0.034**
	N	0.117	
Occupation: professionals	Y	0.227	0.004
	N	0.223	
Occupation: associate professional and technical	Y	0.131	-0.011
	N	0.142	
Occupation: clerical and secretarial	Y	0.122	0.009
	N	0.114	
Occupation: craft and related	Y	0.065	0.005
	N	0.060	
Occupation: personal and protective services	Y	0.115	-0.058**
	N	0.173	
Occupation: sales	Y	0.097	0.007
	N	0.090	
Occupation: plant and machine operatives	Y	0.073	0.013†
	N	0.060	
Occupation: other	Y	0.018	-0.003
	N	0.021	
Industry: other production	Y	0.164	0.034**
	N	0.130	
Industry: construction	Y	0.050	0.015**
	N	0.035	
Industry: wholesale and retail	Y	0.138	0.026**
	N	0.113	
Industry: hotels and restaurants	Y	0.043	-0.003
	N	0.046	
Industry: transport, storage, communication	Y	0.072	0.011
	N	0.061	
Industry: financial and other business activities	Y	0.160	-0.004
	N	0.164	
Industry: public admin and defense	Y	0.075	-0.016*
	N	0.091	
Industry: education	Y	0.110	-0.022*
	N	0.132	
Industry: health	Y	0.161	-0.034**
	N	0.195	
Industry: other services	Y	0.027	-0.007
	N	0.034	
Region: border	Y	0.119	-0.021*
	N	0.140	
Region: dublin	Y	0.312	0.015
	N	0.297	
Region: mid-east	Y	0.093	0.003
	N	0.090	
Region: midlands	Y	0.064	-0.002
	N	0.066	
Region: mid-west	Y	0.089	-0.013
	N	0.102	
Region: south-east	Y	0.075	0.007
	N	0.067	
Region: south-west	Y	0.159	0.002
	N	0.157	
Region: west	Y	0.089	0.008
	N	0.082	

(continued)

Table 1.
Difference between
final study sample and
excluded data in NWS
(study 1)

Variables	Final sample ¹	Mean	Difference
Public sector	Y N	0.366 0.386	-0.020
Workplace size: 100 to 499 ²	Y N	0.218 0.180	0.039**
Workplace size: 500 or more ²	Y N	0.168 0.133	0.035**
Job level: senior management ³	Y N	0.094 0.080	0.014†
Job level: middle management ³	Y N	0.168 0.153	0.015
Job level: supervisor ³	Y N	0.129 0.103	0.025**
Work hours	Y N	34.253 32.572	1.681**
Permanent employee	Y N	0.875 0.821	0.054**
Organizational tenure (in months)	Y N	129.642 119.919	9.724**
Union member	Y N	0.467 0.417	0.050**
Female	Y N	0.502 0.541	-0.039**
Married	Y N	0.684 0.664	0.020
Age	Y N	39.952 41.107	-1.155**
Education: none/primary certificate or equivalent	Y N	0.018 0.028	-0.009*
Education: some secondary (no exam)	Y N	0.022 0.026	-0.004
Education: junior/inter/group certificate/lower second level	Y N	0.098 0.106	-0.008
Education: leaving certificate/upper second level	Y N	0.240 0.261	-0.021†
Education: PLC, certificate or diploma	Y N	0.230 0.213	0.017
Education: third level bachelor's degree	Y N	0.243 0.230	0.013
Education: postgraduate degree	Y N	0.147 0.136	0.011
Education: other	Y N	0.001 0.000	0.001
Ln(hourly earnings)	Y N	2.972 ⁴ 2.905 ⁵	0.067**
Ln(weekly income)	Y N	6.433 ⁶ 6.299 ⁷	0.135**

Note(s): ** $p < 0.01$, * $p < 0.05$, † $p < 0.10$

¹Y: Denotes the final sample, N: Denotes excluded data, N for final sample = 2,139, N for excluded data ranges from 2,478 to 2,971

²In number of employees. Base for comparison: Workplace with 99 or less employees

³Base for comparison: employee

⁴The amount equals to 19.5 Euros

⁵The amount equals to 18.3 Euros

⁶The amount equals to 622.0 Euros

⁷The amount equals to 544.0 Euros

Source(s): Table by authors

Table 1.

was surveyed in the 2009 NWS. Affective commitment can be viewed as an employee's emotional attachment to an organization that the employee belongs to or identifies with (Allen and Meyer, 1990; Mowday *et al.*, 1979). The construct has been studied extensively in the management literature due to its relationships with various important individual-level outcomes such as job performance (e.g. Meyer *et al.*, 2002) and turnover intention (e.g. Poon, 2012) as well as organizational-level outcomes such as firm performance (e.g. Gong *et al.*, 2009). The affective commitment in the 2009 NWS was measured through the extent to which the employee agrees or disagrees with the following three statements (four-point scale): "My values and the organization's values are very similar," "I am proud to be working for this organization," and "I feel little loyalty to the organization that I work for (reverse coded)" ($\alpha = 0.707$). The measure is a shortened version of Mowday *et al.* (1979).

Second, a reduction in payroll costs can also affect the attitude toward the current job. This is because the job is the medium that forms the relationship between an employee and the firm. In alignment with this notion, various constructs related to job attitudes (e.g. job satisfaction) also measure facets related to the organization that an employee works for, such as the relationships with colleagues and work environment (e.g. Smith *et al.*, 1969; Warr *et al.*, 1979; Weiss *et al.*, 1967). To capture the attitude toward the current job, we have utilized the construct of job satisfaction (Locke, 1976) surveyed in the 2009 NWS. The construct refers to an employee's assessment of his or her job experiences (Locke, 1976). It also has been studied extensively in the management literature due to its relationship with various important individual-level outcomes such as job performance (e.g. Judge *et al.*, 2001) and turnover (e.g. Carsten and Spector, 1987). Job satisfaction in the 2009 NWS was measured to the extent that the employee agrees or disagrees with the following statement (four-point scale): "In general, I am satisfied with my present job." It is a single-item measure, and thus, the reliability can be questionable. This is a duly acknowledged limitation in this study. However, a single-item measure of job satisfaction has been reported as relatively robust (Wanous *et al.*, 1997).

Downsizing. The survey asked the participants if there had been an event of a staff reduction over the last two years in their current workplace. If the participant had worked less than two years with the firm, they were guided to answer only based on what they had experienced after joining the current firm. Participants who answered yes were classified as survivors of downsizing.

Pay cuts. The survey asked the participants about their hourly wage change over the last two years with the current firm. The answer choices were: "increased a lot," "increased a little," "did not change," "decreased a little," and "decreased a lot." If the participant had worked less than two years with the firm, they were guided to answer only based on what they had experienced after joining the current firm. Participants who selected either one of the latter two answer choices were classified as the pay cut employees.

Gender. Males were coded as 0, and females were coded as 1.

Controls. For our OLS estimates to be more reliable, we have controlled for group characteristics at a higher level than the employee level. These were region (eight regions of Ireland), industry (11 industries), and occupation (nine occupation groups). We have also controlled for various factors that can affect employee attitudes (i.e. affective commitment and job satisfaction) and the relationship between the selection of payroll cost reduction methods (pay cuts vs downsizing) and employee attitudes. Workplace size (less than 99, 100 to 499, and more than 500 employees), job level (employee, supervisor, middle management, and senior management), work hours, permanent status, organizational tenure (in months), marital status, education level (eight different types of the highest level education) were controlled due to the possibility of these factors leading to baseline differences in employee attitude levels (e.g. Bakan *et al.*, 2011; Beck and Wilson, 2000; Besen *et al.*, 2013; Han *et al.*, 2009; Idson, 1990; Kemunto *et al.*, 2018; Nanda and Browne, 1977; Robie *et al.*, 1998). The work sector (public vs private) was also controlled for its effect on the relationship between the

payroll cost reduction method and employee attitudes (Yoon, 2023). Union membership, age (in years), and pay/income level (in hourly earnings and weekly income) were controlled for their effect on the baseline level of employee attitudes (e.g. Besen *et al.*, 2013; Garcia-Serrano, 2009; Kuvaas, 2006) as well as the possibility of these factors affecting the relationship of our interest. For example, union members and older employees may prefer pay cuts over downsizing to save jobs as they are more likely to be concerned about job security (e.g. Brochu and Zhou, 2009). Pay/income level can affect employee attitudes (Kuvaas, 2006) and may also influence the relationship of interest in this study, as pay cuts may be less detrimental for employees if their pay/income level is still high even after the pay has been reduced.

Study 1 (current employees): results

Descriptive statistics

The descriptive statistics are reported in Table 2. One notable is the mean value of the pay cut variable (0.141). This means that 14.1% of participants had their pay cut, while 85.9% have survived downsizing. This indicates that downsizing was a much-preferred method for reducing payroll costs in Ireland during the survey period. About half of the workers in the sample were females (0.502), and 36.6% of the workers were public sector employees.

Analysis results

Cutting pay vs downsizing on employee attitudes. The OLS results are reported in Table 3. The coefficients of pay cut (vs downsizing) in Models A2 and B2 are insignificant (coefficient in Model A2 = -0.012 , SE = 0.034, ns; coefficient in Model B2 = -0.065 , SE = 0.041, ns). Thus, the levels of attitudes of employees who had their pay cut were no different from those of employees who survived downsizing. In other words, one payroll cost reduction method did not lead to more favorable attitudes of current employees over the other method.

The moderating effect of gender in this comparison (Hypothesis 1). In Models A3 and B3 of Table 3, the interaction effects of pay cut and female are significantly positive (coefficient in Model A3 = 0.130, SE = 0.065, $p < 0.05$; coefficient in Model B3 = 0.215, SE = 0.078, $p < 0.01$). The more detailed result of this moderating effect is demonstrated in Table 4 and Figure 1. In the case of males, pay-reduced employees exhibited a lower level of affective commitment and job satisfaction than survivors of downsizing (this comparison was only marginally significant in the case of affective commitment). However, in the case of females, there were no differences in the levels of affective commitment and job satisfaction between pay-reduced employees and survivors of downsizing from a statistical point of view. In other words, male employees displayed more favorable attitudes toward their organizations when they were the survivors of downsizing rather than the victims of pay cuts. However, for female employees, being a survivor of downsizing or the victims of pay cuts did not make a difference in terms of maintaining favorable attitudes toward their organizations (in other words, female employees reacted less negatively toward pay cuts over downsizing compared to male employees). Thus, we found support for Hypothesis 1 in the sample of current employees in organizations. The interaction effect of payroll cost reduction methods (pay cuts vs downsizing) and gender on employee attitudes is also depicted in Figure 1.

Study 2 (job seekers): methods

Overview and sample

Study 1 found support for Hypothesis 1 in the sample of current employees in organizations. However, as mentioned in the earlier section of this manuscript, another important attitude

Variables	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Affective commitment	3.093	0.524								
(2) Job satisfaction	3.225	0.619	0.503							
(3) Pay cut (Pay cut = 1, Downsizing = 0)	0.141	0.348	0.040	-0.002						
(4) Female (Female = 1, Male = 0)	0.502	0.500	0.063	0.047	0.068					
(5) Public sector	0.366	0.482	0.048	0.055	0.216	0.213				
(6) Workplace size: 100 to 499 ¹	0.218	0.413	-0.041	0.003	-0.088	-0.064	0.010			
(7) Workplace size: 500 or more ¹	0.168	0.374	-0.044	0.031	-0.078	-0.030	0.077	-0.237		
(8) Job level: Senior mgmt ²	0.094	0.292	0.151	0.087	0.035	-0.112	-0.022	0.047	0.023	
(9) Job level: Mid mgmt ²	0.168	0.374	0.052	0.034	0.029	-0.041	0.045	0.019	0.045	-0.145
(10) Job level: Supervisor ²	0.129	0.335	-0.017	-0.018	-0.063	-0.028	-0.016	0.003	0.011	-0.124
(11) Work hours	34.253	11.232	0.000	0.019	-0.009	-0.403	-0.091	0.101	0.159	0.295
(12) Permanent employee	0.875	0.331	0.031	0.040	-0.057	-0.069	-0.015	0.084	0.057	0.093
(13) Org tenure (in months)	129.642	118.758	0.044	0.048	0.047	-0.109	0.221	0.102	0.028	0.140
(14) Union member	0.467	0.499	-0.066	-0.016	0.113	0.070	0.465	0.118	0.054	-0.102
(15) Married	0.684	0.465	0.091	0.049	0.047	-0.064	0.130	0.062	0.050	0.129
(16) Age	39.952	11.387	0.110	0.065	0.072	-0.083	0.220	0.081	0.008	0.159
(17) Ln(Hourly earnings)	2.972 ³	0.583	0.094	0.105	0.067	-0.111	0.240	0.048	0.126	0.219
(18) Ln(Weekly income)	6.433 ⁴	0.765	0.063	0.088	0.058	-0.284	0.150	0.091	0.179	0.300

Variables	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(10) Job level: Supervisor ²	-0.173								
(11) Work hours	0.131	0.041							
(12) Permanent employee	0.106	0.040	0.253						
(13) Org tenure (in months)	0.180	0.048	0.129	0.283					
(14) Union member	0.028	0.008	-0.002	0.133	0.358				
(15) Married	0.139	0.000	0.126	0.226	0.283	0.150			
(16) Age	0.126	-0.018	0.105	0.220	0.558	0.259	0.489		
(17) Ln(Hourly earnings)	0.235	-0.037	0.118	0.193	0.316	0.188	0.284	0.291	
(18) Ln(Weekly income)	0.251	0.000	0.624	0.305	0.317	0.173	0.287	0.282	0.832

Notes(s): *N* = 2,139
Correlations with the absolute value larger than 0.043 are significant at *p* < 0.05 level
Region, industry, occupation, and education level control variables are not reported in this table
¹In number of employees. Base for comparison: workplace with 99 or less employees
²Base for comparison: Employee
³The amount equals to 19.5 Euros
⁴The amount equals to 622.0 Euros
Source(s): Table by authors

Table 2.
Means, standard
deviations and
correlations of the
variables (study 1)

Variables	Dependent variable: Affective commitment			Dependent variable: Job satisfaction		
	Model A1	Model A2	Model A3	Model B1	Model B2	Model B3
Constant	3.065** (0.238)	3.066** (0.239)	3.108** (0.239)	2.932** (0.289)	2.940** (0.289)	3.008** (0.289)
Moderator	Female (Female = 1, Male = 0)					
	0.093** (0.027)	0.093** (0.027)	0.074** (0.028)	0.080* (0.032)	0.080* (0.032)	0.049 (0.034)
Payroll cost reduction	Pay cut (Pay cut = 1, Downsizing = 0)					
		-0.012 (0.034)	-0.086† (0.050)		-0.065 (0.041)	-0.188** (0.061)
Interaction effect	Pay reduction * Female					
			0.130* (0.065)			0.215** (0.078)
Controls	Region					
	Y	Y	Y	Y	Y	Y
	Industry					
	Y	Y	Y	Y	Y	Y
	Occupation					
	Y	Y	Y	Y	Y	Y
	Other characteristics					
	Y	Y	Y	Y	Y	Y
Model fit	R^2 (F)					
	0.096** (4.830)	0.096** (4.728)	0.098** (4.719)	0.052** (2.501)	0.053** (2.503)	0.057** (2.615)
	ΔR^2					
		0.000	0.002*		0.001	0.003**

Table 3.
OLS model predicting
employee attitudes
(study 1)

Note(s): $N = 2,139$
** $p < 0.01$, * $p < 0.05$, † $p < 0.10$
Standard errors are shown in parentheses
Source(s): Table by authors

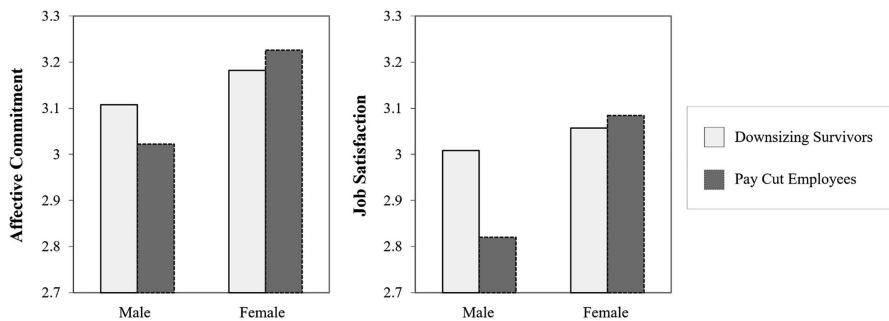
Employee Attitude	Gender	
	Male ¹	Female ²
Affective commitment	Pay-reduced employees <Survivors of downsizing Coefficient of pay cut (<i>vs downsizing</i>) = -0.086† (SE = 0.050, $p = 0.085$)	Pay-reduced employees >Survivors of downsizing Coefficient of pay cut (<i>vs downsizing</i>) = 0.043 (SE = 0.044 $p = 0.323$)
Job satisfaction	Pay-reduced employees < Survivors of downsizing Coefficient of pay cut (<i>vs downsizing</i>) = -0.188** ³ (SE = 0.061 $p = 0.002$)	Pay-reduced employees > Survivors of downsizing Coefficient of pay cut (<i>vs downsizing</i>) = 0.027 (SE = 0.053, $p = 0.606$)
N	1,066	1,073

Table 4.
Comparison in
employee attitudes by
gender and payroll cost
reduction method
(study 1)

Note(s): ** $p < 0.01$, * $p < 0.05$, † $p < 0.10$
All the control variables were entered in this comparison model
¹For estimating the outcomes of males, the coefficients of 'Pay cut' in Models A3 and B3 of Table 2 are examined
²For estimating the outcomes of females, separate regression analyses with the females (instead of males) as the base for comparison were conducted
³This indicates that for males, the job satisfaction of employees who survived downsizing was higher than that of employees whose pay was cut by 0.188 points
Source(s): Table by authors

that organizations need to manage is that of job seekers (or future employees). Therefore, in Study 2, we test the hypothesis in the sample of job seekers.

Study 2 analyzes the data of an online experiment from a larger project. The experiment was designed in a within-subject fashion to mimic the process of job search where individuals



Note(s): Calculations are based on values from Models A3 and B3 in Table 2 for the cases of affective commitment and job satisfaction as the dependent variables, respectively

Source(s): Figure by authors

Figure 1.
Interaction between
payroll cost reduction
method and gender
predicting current
employee attitudes
(study 1)

compare information provided through various job openings and assess the fit with themselves. Due to this purpose, the within-subject design is commonly applied in job-seeker attraction studies (e.g. [Aiman-Smith et al., 2001](#); [Olsen and Martins, 2016](#); [Wesche and Sonderegger, 2021](#); [Yu and Davis, 2019](#)).

The data was collected through Amazon Mechanical Turk. The participants had to be US-based and over 18 years old. We solicited 402 people. However, 18 people did not correctly answer the attention check question. Thus, we analyzed only the data of 384 participants who passed the attention check. 54% of the participants were males, 79% of them were employed, had an average of 14.8 years of education, and were an average of 35.1 years old. The entire process of the experiment took about five minutes. The project was approved by the IRB Board of the Cornell University (protocol ID #: 1507005684). Prior to administering the experiment, one of the authors who participated in the larger project used the test group to verify that the readers comprehended the materials as intended (e.g. the difference between pay cut and downsizing conditions). Following the test results, the author modified the experiment scenario and conducted a re-test to ensure the alignment of the scenarios and their intentions.

At the beginning of the experiment, we provided each participant with a scenario where they were looking for a job. The first page of the scenario then explained that while the participant was talking with a close friend, he or she came to know of a job opening (in the company that the friend works for) that matches well with his or her qualifications. In the scenario, the participant also became aware that the company overall pays its employees at the average level in the job market, employs about 2,000 workers, is located in a mid-sized metropolitan area, and has a family-like collectivistic culture that also respects individual methods and style. Then, in the next two pages of the scenario, two cases of how the company has managed to survive the recent downturn in the economy were provided. In both cases, the company had to reduce about ten percent of its payroll costs. In one case, the company decided to downsize about ten percent of its employees by terminating their employment contracts. In the other case, however, the company had decided to cut the pay of all the employees by ten percent (but not letting go of any employees). After reading each case, the participant answered questions related to job-seeker attraction. We randomized the order in which the two cases were presented. In the final stage of the experiment, participants answered background questions and were debriefed. The final sample consisted of 768 responses (two responses per participant, one response for the downsizing case, and one response for the pay cut case, from 384 subjects).

Measures

Job-seeker attitude. In this study, the job-seeker attitude was operationalized as the general attractiveness of an organization and job pursuit intention. These are the two most widely used measures to capture how strongly job seekers are attracted to an organization (Chapman *et al.*, 2005; Uggerslev *et al.*, 2012). For the measure of the general attractiveness of an organization, the following five questions were surveyed on a seven-point scale: “I am interested in learning more about this organization,” “I would not be interested in this organization except as a last resort” (reverse coded), “If a job offer was given to me by the organization, it is likely that I would accept the offer,” “For me, this organization would be a good place to work,” and “This organization is attractive to me as a place for employment” ($\alpha = 0.936$). For capturing the construct of job pursuit intention, the following three questions were surveyed on a seven-point scale: “If this organization invited me for a job interview, I would go,” “I would make this organization one of my top choices as my employer,” and “I would exert strong deal of effort to work for this organization” ($\alpha = 0.830$).

Cutting pay (vs downsizing). Responses made after reading the pay cut case were coded as 1, and the responses made after reading the downsizing case were coded as 0.

Controls. We controlled for some demographic characteristics (i.e. employment status, years of education, and age) of the participants. The analysis results with or without these variables were the same (i.e. the effects of our interest were significant in the same direction in both controlled and non-controlled models). In this manuscript, we report the outcome of the model with the control variables.

Analysis model

As our objective is to investigate the interaction effect of the payroll cost reduction method (cutting pay vs downsizing) and gender (male vs female), we have conducted a two-way ANOVA to test our hypothesis. The method is also commonly used in recent recruiting and selection studies investigating the interaction effects (e.g. Ibrahim, 2017; Liu *et al.*, 2016; Waung *et al.*, 2015).

Study 2 (job seekers): results

Descriptive statistics

The descriptive statistics are reported in Table 5. The relationship between pay cuts (vs downsizing) and the general attractiveness of an organization is positive (0.079, $p < 0.05$).

Variables	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)
(1) General attractiveness	4.374	1.392						
(2) Job pursuit intention	4.379	1.330	0.904**					
(3) Pay cut (pay cut = 1, downsizing = 0)	0.500	0.500	0.079*	0.058				
(4) Female (female = 1, male = 0)	0.458	0.499	0.014	0.000	0.000			
(5) Age	35.130	9.973	0.040	0.034	0.000	0.177**		
(6) Years of education	14.802	1.946	0.037	0.048	0.000	0.029	-0.034	
(7) Employment status (employed = 1, not employed = 0)	0.792	0.406	0.011	0.021	0.000	-0.082*	0.058	0.155**

Table 5.
Means, standard deviations and correlations of the variables (study 2)

Note(s): $N = 768$ (384 respondents)
All correlations are Pearson correlations (not accounting for multi-leveled nature)
** $p < 0.01$, * $p < 0.05$, † $p < 0.10$
Source(s): Table by authors

Analysis results

Cutting pay vs downsizing on job-seeker attitudes. We first observed a significant effect of pay cuts (vs downsizing) on general attractiveness, $F(1, 761) = 5.600, p = 0.018$, partial $\eta^2 = 0.007$. The general attractiveness of pay-reduced organizations ($M = 4.494$) was higher than that of downsized organizations ($M = 4.256$), meaning that job seekers were more attracted to organizations with a history of pay cuts than to those with a history of downsizing. In contrast, we observed only a marginally significant effect on pay cuts (vs downsizing) on job pursuit intention, $F(1, 761) = 5.621, p = 0.074$, partial $\eta^2 = 0.004$. The job pursuit intention of pay-reduced organizations ($M = 4.464$) was higher than that of downsized organizations ($M = 4.292$). However, this result needs to be interpreted with caution as the difference is only marginally significant. (The results reported in this section are not reported in the tables.)

The moderating effect of gender in this comparison (Hypothesis 1). We have observed a significant payroll cost reduction method by gender interaction effect on job-seeker attraction. Both the interaction effect of pay cuts (vs downsizing) and gender on general attractiveness, $F(1, 761) = 8.318, p = 0.038$, partial $\eta^2 = 0.006$, and on job pursuit intention, $F(1, 761) = 7.306, p = 0.042$, partial $\eta^2 = 0.005$, were significant (not reported in the tables). The details of the relevant statistics are outlined in Table 6. For males, the difference in mean values of general attractiveness for pay-reduced organizations ($M = 4.380$) and downsized organizations ($M = 4.351$) was relatively small. In contrast, in the case of females, the difference in mean values of general attractiveness for pay-reduced organizations ($M = 4.607$) and downsized organizations ($M = 4.161$) was relatively large in favor of pay-reduced organizations. The outcomes for job pursuit intention were similar. For males, the difference in mean values of job pursuit intention for pay-reduced organizations ($M = 4.376$) and downsized organizations ($M = 4.400$) was relatively small. In contrast, in the case of females, the difference in mean values of job pursuit intention for pay-reduced organizations ($M = 4.552$) and downsized organizations ($M = 4.185$) was relatively large in favor of pay-reduced organizations. In other words, female job seekers displayed more favorable attitudes toward organizations that decided to cut pay instead of cutting people (downsizing). However, for male job seekers, organizations choosing to cut pay or people (downsize) did not matter in developing more or less favorable attitudes. Thus, we also found support for Hypothesis 1 in Study 2. The gender difference in job-seeker attraction outcomes by payroll cost reduction methods (pay cuts vs downsizing) is also depicted in Figure 2.

Conclusions

Summary of findings and theoretical implications

The two studies demonstrate that females, compared to males, form a less negative (or more favorable) attitude to pay cuts than to downsizing. When the current employees were examined (Study 1), pay-reduced male employees reacted more negatively than those who survived downsizing. In the case of females, the attitudinal levels of pay-reduced employees and downsizing survivors were no different. Similar results were examined when job seekers were analyzed (Study 2). Female job seekers' attitudes were more positive toward pay-reduced organizations than to downsized organizations. In contrast, male job seekers reacted no differently toward the two types of organizations.

The current research provides some important implications in the field of payroll cost reduction methods. First and foremost, the research responds to the call in the literature for directly comparing the outcomes of pay cuts and downsizing in the presence of moderators (Yoon, 2022, 2023; Yoon and Sengupta, 2024). By exploring the relative benefits of pay cuts and downsizing by introducing the gender dimension, our findings offer insights into the mixed results from recent studies (Yoon, 2022, 2023; Yoon and Sengupta, 2024).

Table 6.
Job-seeker attraction
by payroll cost
reduction method and
gender (study 2)

Gender	General attractiveness				Job-seeker attraction by payroll cost reduction method				Job pursuit intention			
	Downsized organization	Pay cut organization	Downsized organization	Pay cut organization	Downsized organization	Pay cut organization	Downsized organization	Pay cut organization	Downsized organization	Pay cut organization	Downsized organization	Pay cut organization
	M	SE	95% CI	M	SE	95% CI	M	SE	95% CI	M	SE	95% CI
Male (N = 416, 208 respondents)	4.351	0.97	4.162	4.380	0.097	4.191	4.400	0.092	4.218	4.376	0.092	4.194
Female (N = 352, 176 respondents)	4.161	0.105	4.541 3.954	4.607	0.105	4.401	4.185	0.101	4.581 3.987	4.552	0.101	4.557 4.355
Source(s):	Table by authors											

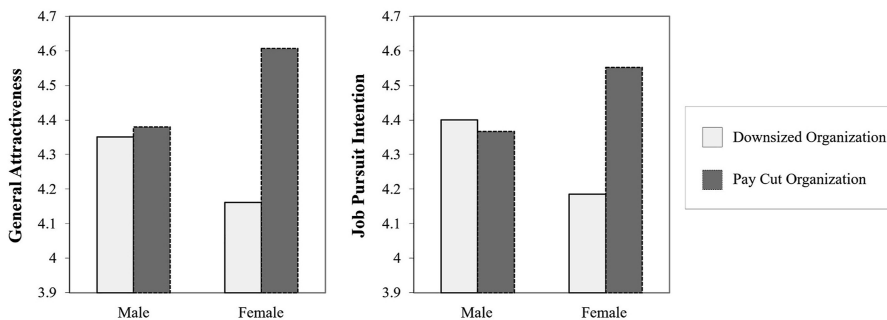
Second, the insights from Study 1 advance the debate of which payroll cost reduction method (cutting pay vs downsizing) better maintains work attitudes. In the past, studies on this topic tend to conclude that organizations are reluctant to cut pay and prefer to downsize because cutting pay can seriously damage the morale of current employees (e.g. [Bewley, 1998, 1999](#); [Du Caju et al., 2015](#)). Instead, our research suggests that the adverse effects of cutting pay on employee morale are evident only for male employees. Thus, researchers need to consider contextual influences in future research on payroll cost reduction methods.

Third, our findings are also in line with recent developments in the gender pay gap literature, which offers compelling theoretical arguments and evidence to indicate that men and women display differing preferences at the workplace owing to their personality traits and societal norms, which in turn explains the persisting gender wage gap ([Blau and Kahn, 2017](#); [Khoreva, 2011](#); [Roethlisberger et al., 2023](#)). Our research also offers further validation for the gender-based diversity theories by demonstrating that men and women are different in terms of their preferences and responses towards certain HRM policies and strategies (e.g. [Blau and Kahn, 2017](#); [Gati et al., 1995](#); [Roethlisberger et al., 2023](#); [Sumner and Niederman, 2003](#); [Venkatesh et al., 2017](#)), such as pay cuts and downsizing policies.

Practical implications

The current research offers insights into how gender moderates the relative attitudinal outcomes associated with pay cuts and downsizing. Thus, the outcomes of this research indicate that the selection of a payroll cost reduction method may lead to a disparate impact on gender composition. For example, as males react more favorably (or less negatively) to downsizing over cutting pay, organizations that decide to downsize rather than cut pay may inadvertently attract and retain more male employees. As a result, organizations need to be aware of the implications and, in this case, may want to provide complementary HRM practices that could mitigate the negative effects of downsizing on female employees. For example, organizations may want to formulate retention and engagement plans for the female employee group, which is more likely to be negatively affected (and vice versa for male employees in the case of implementing pay cuts).

These insights also have implications for managing the changing workforce demographics characterized by a steady rise in female employees ([Blau and Kahn, 2017](#)). By offering insights into how gender acts as a key determinant in influencing the outcomes of payroll cost reduction strategies, our research informs HRM policy aimed at encouraging greater diversity and inclusion in the workforce. These insights are also useful in terms of managing expectations as well as perceptions of equity in an increasingly diverse workforce. Therefore, our research offers a practical solution for fulfilling the objectives of greater



Source(s): Figure by authors

Figure 2. Interaction between payroll cost reduction method and gender predicting future employee attitudes (job-seeker attraction) (study 2)

diversity, inclusion, and equity in the workplace. The findings suggest that endeavors on the part of the management or government to encourage greater diversity and inclusion, as well as perceptions of equity in the workplace, should take into consideration the varied perceptions and responses that men and women have towards certain policies and practices. Management policy, as well as public policy, would benefit from taking these into consideration both in terms of attracting a diverse pool of talent and workforce as well as managing expectations and perceptions of fairness amongst the existing workforce, which is increasingly diverse with greater female representation.

Limitations, future studies, and conclusions

Although our research provides some meaningful implications, some limitations need to be acknowledged. First, there are some inherent limitations due to the study design. Study 1 is a cross-sectional secondary data analysis study. Thus, causal inference cannot be made. The reverse-causality explanation for the results also exists. For example, workers who are high on satisfaction and commitment may be high performers and thus be the survivors of downsizing rather than the victims of pay cuts. This, however, may be less likely due to the survey measuring the dependent variables (i.e. commitment and satisfaction) as of the day of the survey while measuring the event of payroll cost reduction based on the participants' last two years of experience. Nevertheless, we need to acknowledge the causal inference limitation in Study 1. Another inherent issue with Study 1 (secondary data analysis) is the omitted variable bias. Although we have tried our best to control for relevant variables, some constraints exist. For example, the dataset does not provide information on the number of downsized employees or the intensity of pay cuts (i.e. how much of the pay was cut). Moreover, as already outlined in the methods section, we could not control workplace differences in Study 1, and some of the questionnaires utilized in the same study were single-item measures, possibly raising a reliability issue. As a result, the estimated effects in Study 1 may be inaccurate. In contrast, Study 2 is an experiment and suffers from an issue of generalizability. The participants were given a "hypothetical" situation, and whether the results can be applied to a real job-searching experience can be questionable. What is encouraging, though, is that the two study methods (i.e. secondary data analysis and experiment) with different advantages and disadvantages yield similar results and show that females, compared to males, react less negatively (or more favorably) to cutting pay than to downsizing. However, the results need to be interpreted with caution since this does not fully compensate for the inherent shortcomings of each study. Thus, future studies on this topic need to design and implement surveys (or other research tools) that can specifically examine the issue of pay cuts vs downsizing to overcome the issues listed above.

Second, the psychological mechanisms used in developing the theories in this research (i.e. person-organization fit and psychological contract breach) were not directly examined. Therefore, future studies need to explicitly examine the underlying psychological processes (i.e. the mediating mechanisms) for a deeper understanding of why we observe a gender difference when comparing the outcomes of cutting pay and downsizing.

Third, Study 1 raises concerns related to common method bias (Podsakoff *et al.*, 2003). The survey collects responses from a single source, and the effects of this study may have been amplified compared to what we may have observed in a real work setting. This issue, however, can be less of a problem in our research because we are trying to "compare" the two effects (cutting pay vs downsizing) rather than "estimate" these individual effects. Also, the main objective of our research is to identify gender as a moderator. There are study results indicating that moderators cannot be the subject of common method bias (e.g. Siemsen *et al.*, 2010). Nevertheless, future studies need to be designed with a view to overcoming the common method bias controversy.

Fourth, although we make an argument of comparing employee attitudes toward pay-reduced employees vs downsizing survivors in Study 1, we need to acknowledge that the unit of analysis may not be the same. Pay cuts tangibly affect employees with a loss in pay, while downsizing survivors are not affected materially. This difference may have affected the outcomes in Study 1, as men tend to be more materialistic than women (Eastman *et al.*, 1997; Kamineni, 2005), and thus we need to interpret the results cautiously. Controlling for materialism may be required for future studies to estimate the outcomes more precisely.

Fifth, despite our classification of payroll cost reduction methods into two forms of cutting pay vs downsizing, there can be other forms of payroll cost reduction that employees may view and interpret differently. For example, furloughs and job sharing, from an employee's perspective, can broadly be viewed as cutting pay as the total pay amount for an employee would decrease due to the cutback in total work hours. However, these practices also allow employees to work less than they used to and thus may have different employee attitudinal consequences when compared to the traditionally perceived pay cuts of lower compensation for the same amount of work. Therefore, we need to acknowledge that the current research may not cover all the types of payroll cost reduction methods. Future studies need to examine other possible forms of payroll cost reduction methods (e.g. furloughs and job sharing) and compare the results to see if the attitudinal effect of these methods on relevant stakeholders (e.g. current employees, job seekers, and investors) are different.

Sixth, the current research investigates the attitudes of only the employee-stakeholders (i.e. current employees and job seekers). However, managing the attitudes of other stakeholders (e.g. investors, the general public, and government) is also important for organizational success. Moreover, the attitudes of employee stakeholders (turnover intention, organizational citizenship behavior, stress, etc.) that are also important from a managerial perspective are not examined in this research. Thus, future studies need to investigate the effects of pay cuts vs downsizing on the attitudes of various other stakeholders as well as other types of important employee attitudes that organizations need to manage.

Seventh, there can also be a generalization issue of our research findings. Foremost, generalizing the results beyond the regions of Ireland and the United States needs to be exercised with caution. The results may differ in non-western countries with different cultures and economic systems. For example, employees in countries characterized by strong collectivism may universally respond more favorably to pay cuts than to downsizing. Thus, the gender effect observed in this research may not be observed in those societies. In addition, extending the results into today's economy must be considered with caution. Our data in Study 1 is from 2009, and work attitudes with respect to job security and psychological contracts may change over the period, especially after the work environment has changed tremendously due to the recent COVID-19 crisis. Prospect studies may want to incorporate national differences in the model by comparing the consequences of cutting pay vs downsizing and utilizing a more recent dataset. Also, the difference between the final study sample and the excluded data in Study 1 may raise some concerns regarding the generalizability of the findings. Although the practical difference may not seem large, the interpretation of the result still needs to be made with caution as there is a statistically significant gender difference between the two groups (about four percent less female composition in the final sample), especially considering our research focus on gender.

Lastly, we also need to acknowledge the differences in the samples analyzed in the two studies. First, the national context between the two samples in Studies 1 (Ireland) and 2 (The United States) differ. The culture of the United States tends to be more individualistic (Gelfand *et al.*, 2004; Hofstede Insights, n.d.), and its economic system is closer to those of liberal market economies (Colvin and Darbishire, 2013; Hall and Soskice, 2001). Moreover, the research methods in Studies 1 (secondary data analysis) and 2 (experiment) also differ. Study 2 was conducted in a much more controlled setting, and this may explain why we observe

stronger effect sizes in Study 2. The encouraging aspect of this approach is that we may have stronger confidence in the generalizability of the results as we find similar outcomes (i.e. women react less negatively (or more favorably) to pay cuts than to downsizing when compared to men) in two different settings. Nevertheless, future research may want to investigate the outcomes in similar research settings so we can be more confident that the observed results are due to the hypothesized relationships rather than the difference in the research context.

Despite the limitations, our research presents some meaningful implications. The research provides some answers to “who” will be more positively (or less negatively) affected by different payroll cost reduction methods. By pointing out some of the limitations, the research also provides a meaningful guide for future studies on pay cuts vs downsizing. Moreover, the study results also urge organizations to think about the possibility of disparate impact in terms of gender composition as well as motivation when selecting a method to reduce payroll costs. The information from this research can provide organizations with valuable knowledge in times like today, where our economy is often affected by recessions, such as the recent COVID-19 pandemic, and firms are being forced to reduce costs.

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