

# Change Management in Hard Times: Can Change Management Mitigate the Negative Relationship Between Cutbacks and the Organizational Commitment and Work Engagement of Public Sector Employees?

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## Abstract

Public management research has paid little attention to the implementation processes through which public organizations implement cutbacks. In this study, we examine how the implementation of cutbacks is related to employees' organizational commitment and work engagement in the Dutch public sector, and to what extent the use of change management practices may mitigate a negative relationship between cutbacks and these factors. The analysis of 6,066 employees indicates that cutbacks are negatively related to employee attitudes regarding their membership in their organization (organizational commitment), but not to attitudes regarding their work (work engagement). Moreover, although change management practices are only moderately applied in the implementation of cutbacks, the analysis indicates that these may partly alleviate the negative relationship between cutbacks and organizational commitment. The evidence presented in this study thus indicates that more attention should be given to the processes through which budget cutbacks are implemented in public organizations.

## Keywords

cutback management, change management, work engagement, organizational commitment

## Introduction

In times of financial austerity and economic crisis, there is an increased need for public organizations to cut back on expenses and improve efficiency (Bozeman, 2010; Pandey, 2010; Raudla, Savi, & Randma-Liiv, 2013). In recent years, reforms aimed at cutting back and improving efficiency have become standard practice in public organizations in many European countries (Kickert, 2012). Apart from improving efficiency and cutting costs, cutbacks may also have

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unintended effects (Hood & Peters, 2004; Pollitt, 2001; Rhodes, 2000; Van Thiel & Leeuw, 2000). The literature on cutback management suggests that cutbacks may result in decreased job satisfaction and morale, and increased work-related stress and intention to leave (Levine, 1984; Raudla et al., 2013). Despite such common assertions, the empirical evidence that the implementation of cutbacks has negative effects on the well-being of employees is very limited. Although recent work has investigated the relationships between cutback-related organizational change and employee attitudes in the United Kingdom (Conway, Kiefer, Hartley, & Briner, 2014; Kiefer, Hartley, Conway, & Briner, 2014) and Australia (Lindorff, Worrall, & Cooper, 2011), more empirical research is needed to improve our understanding of the relationships between cutbacks and employee well-being. This study aims to address this issue by examining the implementation of cutbacks and employee well-being in the Dutch public sector. Attention is specifically focused on the relationship between cutbacks and the organizational commitment and work engagement of public sector employees.

The alleged negative effects of cutbacks on employee well-being are one of the reasons why the implementation of cutbacks is generally seen as a managerial challenge (Levine, 1978, 1979). A decrease in employee well-being may lead to a reduced effort on the job and even the exit of the organization's most qualified employees. From a *human resources* point-of-view, ensuring organizational well-being during times of crisis is thus a managerial priority to maintain organizational capacity. Regardless, existing research on public management reform has paid little attention to the implementation processes through which cutbacks are implemented (Kickert, 2010; Van der Voet, 2014). In contrast, the literature on change management (e.g., Beer & Nohria, 2000; By, 2005) focuses specifically on the processes through which organizational change is implemented. This literature posits that employee reactions to change are not only dependent on the content of change—*what* changes in the organization—but also on the way the implementation process is managed (Armenakis & Bedeian, 1999; DeVos, Buelens, & Bouckennooghe, 2007). For example, change management theory urges managers to create and communicate an appealing vision of why the organizational change is necessary or advantageous for employees, to involve employees in the implementation of change, and to address worries and hesitations of employees through individual consideration (Herold, Fedor, Caldwell, & Liu, 2008; Kotter, 1996). In this study, we therefore explicitly assess the role of change management during the implementation of cutbacks.

In this study, we examine to what extent the implementation of cutbacks is related to organizational commitment and work engagement of the Dutch public sector workforce. This analysis provides an empirical exploration of the relationship between cutback implementation and employee well-being. We supplement research on public management reform with change management theory to examine to what extent the use of change management practices may mitigate possible negative effects of the implementation of cutbacks. By doing so, our study has theoretical as well as practical value. In its core, our study addresses the hypothesis that the implementation of cutbacks will be negatively related to employee commitment and engagement, but that when change management practices are applied in the implementation process, this negative relationship may be (partly) mitigated. The main research question of this study is as follows:

**Research Question 1:** To what extent can change management practices mitigate the negative relationship between the implementation of cutbacks and the organizational commitment and work engagement of public sector employees?

To address the main research question, we use data from a Dutch national survey on reforms and employee well-being conducted by the Ministry of Interior and Kingdom Relations (program InternetSpiegel). 11,545 respondents participated in the survey (response rate 39%). Our respondents work in various Dutch public sector organizations, ranging from police and primary schools

to municipalities and water boards. The authors have been involved in the questionnaire construction. In the next section, we discuss existing research and theory on cutback management and change management to propose hypotheses. Thereafter, we discuss the methodology of the study. Subsequently, we present our analysis, followed by a discussion of our findings and implications for theory and practice.

## Theory and Hypotheses

In this section, hypotheses are formulated concerning the relationship between the implementation of cutbacks and employee well-being, and the moderating role of change management practices during the implementation process. We first review existing research on the relationship between the implementation of cutbacks and employee well-being. In doing so, we attempt to distinguish between the conceptual and empirical literature on cutback management. We then look at the change management literature to account for the role of the implementation process.

### *Research on Cutbacks and Employee Well-being*

Following times of financial crisis and economic downturn, many countries are confronted with increased financial deficits (Pollitt, 2010). Deficit reduction can be achieved by increasing taxation as well as cutting back on expenses. Although both approaches are being used, it is clear that many countries have opted for a policy of financial austerity to reduce financial deficits (Kickert, 2012). As public organizations are financed partially or even fully through public budgets, they are confronted with the need to implement cutbacks as a result of these policies of austerity. Cutback management can be defined as “managing organizational change toward lower levels of resource consumption and organizational activity” (Levine, 1979, p. 180). This definition of cutback management thus explicitly conceptualizes cutbacks as organizational change. In contrast, Overmans and Noordegraaf (2014) argue that the term *cutbacks* is mainly used for temporary measures aimed at restoring fiscal balance, whereas the term *downsizing* implies organizational changes. The use of these terms is dependent on the literature: Public administration research refers to cutback management rather than downsizing. We do not make a conceptual distinction between cutbacks and similar terms. We do, however, restrict our definition of cutbacks to include only measures with consequences for organizational structures and processes aimed at reducing the level of resource consumption. In our survey, we define cutbacks as organizational reforms aimed at merging or abolishing departments and reducing or outsourcing the tasks of an organization with the aim of cutting back on expenses.

In times when cutback management is prevalent in the daily practice of public organizations, public management researchers' attention for this topic is reinvigorated. The post-war era was characterized by continuous economic growth, and increases in public spending. Following the 1970s oil crisis, however, governments were confronted with the need to reduce public spending. At this time, it was observed that “[w]e know very little about the decline of public organizations and the management of cutbacks” (Levine, 1978, p. 316). In the following years, many studies on cutback management or decline in public organizations were published (e.g., Behn, 1980; Biller, 1980; Cameron, Kim, & Whetten, 1987; Cameron, Whetten, & Kim, 1987; Levine, 1978, 1979), specifically focusing on identifying implementation challenges and practice-oriented strategies for implementing cutbacks in public organizations. After the mid-1980s, when a new period of economic growth ensued, public management research on cutback management and decline “declined” (Bozeman, 2010). However, following the recent financial and economic crises around 2008, the research topic of cutback management seems to be rediscovered by public management researchers (e.g., Bozeman, 2010; Cepiku & Bognomi-Savignon, 2012; Kickert, 2012; Overmans & Noordegraaf, 2014; Pandey, 2010; Pollitt, 2010; Raudla et al., 2013).

There is a relatively large conceptual literature on the organizational effects of cutback management. Cutback management is generally believed to be negatively related to the well-being of employees in the conceptual cutback management literature. Levine (1979) argues that the need to implement cutbacks may increase conflicts between organizational departments and organizational members, as the available resources become scarce. This reduces the available slack in the organization. Job demands-resources theory (Bakker & Demerouti, 2007) helps to understand how the implementation of cutbacks may decrease the amount of resources employees can rely on in their work, such as the support of their line-manager or their colleagues, while work demands are simultaneously increased. Moreover, the need to implement cutbacks may enforce a more centralized management style in the organization (Mintzberg, 1979), resulting in less autonomy for organizational members. Furthermore, cutbacks may jeopardize the job security and opportunities for advancement of organizational members. Social exchange theory states that employees, in response to reduced efforts from the organization, can be expected to reduce their contributions to the organization (Lavelle, Rupp, & Brockner, 2007). Other studies on cutback management indicate that the implementation of cutbacks may result in decreased job satisfaction and morale, and increased work-related stress and intention to leave (Levine, 1978, 1984; Raudla et al., 2013). Jick and Murray (1982) argue how a "crisis syndrome" may affect organizational members as a result of cutbacks, which consists of a reduced job satisfaction, weakened loyalty toward the organization, stress-related syndromes, and decreased effort on the job. Other authors refer to the so-called "survivor syndrome" that may affect employees who have experienced cutbacks. The survivor syndrome posits that employees who are laid-off are most affected, but that the "survivors" may also experience negative effects (Mishra & Preitzer, 1998). Symptoms of the so-called survivor syndrome may include the erosion of trust and morale, as well as the increase of work pressure, emotional stress, and job insecurity.

Next to conceptual studies, some studies have empirically investigated the consequences or effects of cutbacks on employees. Examples are empirical studies by Worrall, Cooper, and Campbell (2000) and Lindorff et al. (2011) among managers in both the private and public sector in the United Kingdom and Australia. These studies find that reforms aimed at reducing redundancies are negatively related to motivation, loyalty, and morale. Moreover, recent studies by Conway et al. (2014) and Kiefer et al. (2014) have provided evidence that cutbacks in the public sector of the United Kingdom may result in decreased well-being and breaches in employees' psychological contracts. Another example is the work of Cameron and colleagues (Cameron, Kim, et al., 1987; Cameron, Whetten, et al., 1987) on the dysfunctions of decline in the American academic sector. Their work shows a significant relationship between multi-year decreases in revenue and dysfunctional responses among organizational members, such as decreased employee morale. However, a shortcoming of the analysis of Cameron, Whetten, et al. is that it is based on the perceptions of the organizations' dominant coalition-members (presidents, officers, department heads, etc.), rather than observations of employees.

This study examines the relationship between cutbacks and two outcome variables: organizational commitment and work engagement. Traditionally, organizational commitment has been widely studied in the organizational and psychological sciences, and work engagement has developed into a widely studied research concept in more recent years. Organizational commitment can be defined as "the relative strength of an individual's identification with and involvement in a particular organization" (Mowday, Steers, & Porter, 1979, p. 226). An individual who is committed to the organization experiences an attachment to the organization based on affection, calculation or loyalty, and can therefore be expected to be less likely to leave the organization (Meyer & Allen, 1990, 1991). Work engagement is a positive, fulfilling work-related state of mind. Engaged employees are energetic and effective and are well able to deal with the demands of their job. As such, work engagement can be seen as the opposite of burnout (Schaufeli, Bakker, & Salanova, 2006). The conceptual distinction between organizational commitment and work

engagement is that organizational commitment is a positive attitude toward the organization, whereas work engagement refers to an individual's job (Hallberg & Schaufeli, 2006). Organizational commitment further differs from work engagement as it is more dependent on work characteristics than personal factors, indicating that it has less to do with intrinsic motivation than extrinsic circumstances (Hallberg & Schaufeli, 2006).

Cutbacks can be expected to be negatively related to the organizational commitment and work engagement of public sector employees. These relationships can be understood based on social exchange theory (e.g., Lavelle et al., 2007) and the job demands-resources model (e.g., Bakker & Demerouti, 2007). Social exchange theory posits that employees will seek to balance their exchange relationship with the organization. Because cutbacks may result in a decrease in advancement opportunities and reduced job security, social exchange theory states that employees will seek to rebalance the exchange relationship by decreasing their effort and investment toward the organization. This has been empirically investigated by Conway et al. (2014), who use the psychological contract theory—which is based on social exchange—to explain how cutbacks may result in contract breaches, thereby leading to decreased organizational citizenship behavior. Similarly, cutbacks are therefore expected to be negatively related to organizational commitment (cf. Conway et al., 2014). Moreover, the job demands-resources model (Bakker & Demerouti, 2007) explains how cutbacks may be negatively related to work engagement. Cutbacks can be expected to coincide with increased job demands, while decreasing job resources such as organizational slack and support by co-workers and supervisors. This may exhaust employees' mental and physical resources, resulting in decreased engagement on the job. We formulate the following hypotheses:

**Hypothesis 1a (H1a):** The implementation of cutbacks is negatively related to the organizational commitment of public sector employees.

**Hypothesis 1b (H1b):** The implementation of cutbacks is negatively related to the work engagement of public sector employees.

### *The Process of Cutback Implementation: Managing Change*

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

A central position in the literature on change management is that employee reactions to change are not only dependent on *what* changes in the organization, but also on *how* changes are implemented (Armenakis & Bedeian, 1999; DeVos et al., 2007). Organizational change is thus not a deterministic phenomenon, but can be managed. This implies that the effects of cutback implementation on well-being are not only caused by the content or type of cutbacks that are implemented, but also by the process through which they are realized. The literatures on organizational change management and organization development offer many approaches, theories and prescriptions for the implementation of change (e.g., By, 2005; Marshak & Grant, 2008). A distinction can be made between (classic) approaches that conceptualize organizational change as an episodic event and (more recent) approaches that emphasize the continuous nature of organizational change (Marshak & Grant, 2008; Weick & Quinn, 1999). Classic approaches of change



management have emphasized more planned and programmatic implementation of change, relying on the leadership of top managers (e.g., Fernandez & Rainey, 2006; Kotter, 1996). In line with the origins of organization development, recent conceptualizations of organizational change have resulted in approaches that are more participatory and incremental in nature, and rely more on changing mindsets and sense-making than on changing behaviors and sense-giving (Pettigrew, Woodman, & Cameron, 2001; Weick & Quinn, 1999).

Despite the recent rediscovery of more gradual and emergent organizational development approaches, a large portion of the literature on organizational change—both academic and practitioner oriented—remains aimed at what managers can do to initiate or advance the implementation of organizational change (Herold et al., 2008). Although there is a wide variety of change management models, they typically emphasize very similar practices. Change management practices commonly draw on notions of leadership by aiming to affect group processes and individual attitudes through influence, rather than coercion or power. Herold et al. (2008) argue that most change management practices are related to “transformational leadership’s notions of inspiration through vision, empowerment through involvement, and being sensitive to followers’ needs.” Based on this conceptual grounding in transformational leadership theory, we focus our empirical examination of change management on three change management practices: communication (inspiration through vision), participation (empowerment through involvement), and individual attention for employees during change (being sensitive to followers’ needs).

First, change management approaches commonly stress *communication*. The urgency, necessity and vision of change needs to be clearly articulated to employees (Kotter, 1996; Wright, Christensen, & Isett, 2013). By explaining to employees why cutbacks are necessary, employees may better understand and support the implementation of cutbacks. Moreover, the implementation plan must be clearly communicated to employees, so that employees are aware of the scope and time planning of the implementation process (van Dam, Oreg, & Schyns, 2008). Research on organizational change has indicated that change communication can reduce uncertainty and stress among employees (e.g., Bordia, Hobman, Jones, Gallois, & Callan, 2004). When the implementation process is based on high quality communication, there are little surprises and rumors concerning the cutbacks being implemented. Equity theory posits that the extent to which employees perceive cutbacks to be fair determines their reaction to these cuts (Brockner et al., 1986). Next to distributive fairness—the fairness of the way cutbacks are distributed over employees in the organization—these reactions are also shaped by employees’ perception of procedural fairness (Clay-Warner, Reynolds, & Roman, 2005). Procedural fairness is determined by the process through which cutbacks are made and communicated. Employees consider procedural fairness to be present when the decision-making process was open and accurate information was provided. High quality change communication may thus contribute to perceived procedural fairness of cutbacks. Clay-Warner et al. (2005) show that procedural fairness is an important determinant of employee attitudes during organizational downsizing, especially for employees who “survived” the downsizing process. When the cutbacks are perceived to be unfair, social exchange theory explains that employees will decrease their contributions toward the organization and their job to rebalance the exchange relationship. Therefore, we expect that a high quality of change communication will cause cutbacks to be less negatively related to the organizational commitment and work engagement of employees.

A second important aspect of the change process is *participation*. Although employees may not be prone to actively participate in the implementation of change that is aimed at reducing organizational activity (Levine, 1979), many studies stress that commitment to change can be increased by inviting employees to take part in the planning and implementation of change (e.g., Russ, 2008; Wright et al., 2013). In implementation processes with a high degree of participation, employees are better able to exercise influence and may have a greater sense of ownership and control over the implementation process. Brockner et al. (2004) show that perceived control

causes survivors of layoffs to react less negatively in terms of work-related attitudes and job performance. In contrast, when employees have experienced few opportunities to participate, they have less resources and are more susceptible to being negatively affected by cutbacks (Brockner et al., 2004). These findings are in line with the more general literature on employee motivation and control (e.g., Ryan & Deci, 2000). We therefore expect that a high degree of participation in the change process will decrease the negative relationship between cutbacks and the well-being of employees.

A third change management practice stresses that it is important that employees receive *individual attention* during the implementation process. The implementation of cutbacks may not affect all employees equally, and different employees may react to change in different ways (Armenakis, Harris, & Mossholder, 1993). Therefore, it is important that managers pay individual attention to employees who are experiencing problems with the change (e.g., Kotter, 1996). Employees who receive individual attention feel valued and appreciated as an individual (Bass, 1999). Transformational leadership theory (e.g., Avolio & Bass, 1995) posits that individualized consideration is crucial to create significant meaning for the overall organizational change among organizational members. In terms of social exchange theory, individual attention may be perceived as an additional contribution from the organization in the exchange relationship with employees. As a result, the reciprocated effort in terms of work-related attitudes from the employee may be less negative than in situations with a high degree of individual attention for employees. Individual attention, rather than an one-size-fits-all approach, may therefore lessen the negative relationship between cutbacks and employee commitment and engagement. We formulate the following hypotheses:

**Hypothesis 2a (H2a):** Communication, participation and individual attention (partly) mitigate the negative relationship between the implementation of cutbacks and the organizational commitment of public sector employees.

**Hypothesis 2b (H2b):** Communication, participation and individual attention (partly) mitigate the negative relationship between the implementation of cutbacks and the work engagement of public sector employees.

## Method

A quantitative study was carried out to address our research question. This section describes the design, sample and measurement of our study.

### Design and Sample

To test our hypotheses, we used data from a Dutch national survey on reforms conducted by InternetSpiegel (a program of the Dutch Ministry of Interior and Kingdom Relations) in July 2013. For this survey, a web panel was used (the so-called Flitspanel) that has been established by the Ministry of Interior and Kingdom Relations with the aim of enabling quick and effective information collection. This panel consists of more than 35,000 Dutch public sector employees. In the past, these employees have signed in for the panel themselves. Approximately 6 times a year, they receive a short questionnaire with a maximum completion time of 10 min. For the survey that we used, all 29,602 public sector employees who participated in one or more studies in the past 12 months (the so-called active panel) were invited by email to take part, and after 3 weeks, 11,545 employees participated (a response rate of 39%). Halfway the fieldwork period a reminder email was sent. Of the 11,545 respondents, we removed 274 respondents where data were missing, resulting in a database of 11,271 respondents. Of these 11,271 respondents, 1,388 respondents have experienced no reform at their current employer. The 9,883 respondents

having experienced a reform at their current employer report different reasons for the reform. We selected respondents experiencing cutbacks (4,896 respondents) and improvement (3,087 respondents) as the main reason. Finally, we only selected respondents who had no formal role in the organizational change, resulting in a database with 6,073 respondents. Of these respondents, seven respondents were removed because of unreliable answers, resulting in a database with 6,066 respondents.

The overall characteristics of the resulting sample were as follows: 58.6% were male, the average age was 50.6 years, and the predominant educational level was higher vocational (42.3%). The sample broadly reflected the overall public sector data (arbeidenoverheid.nl), although there was some overrepresentation of men (11.3%) and employees older than 45 years (21.7%) in our sample.

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

## Measures

Only existing, validated measurement scales are used for the purposes of this study. The measurement scales are described in this section, and the source is given. All items for the measurement scales that were used are given in the appendix.

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

**Organizational commitment.** To measure organizational commitment, we used a six-item scale which is in line with the concept of affective commitment of Meyer and Allen (1990, 1991). Answers were to be given using a 5-point Likert-type scale ranging from 1 (*totally disagree*) to 5 (*totally agree*). All the standardized loadings were statistically significant and Cronbach’s  $\alpha$  for the measure was .88.

**Work engagement.** To measure work engagement, we used a nine-item scale largely based on Schaufeli et al. (2006). Answers were to be given using a 5-point Likert-type scale ranging from 1 (*totally disagree*) to 5 (*totally agree*). All the standardized loadings were statistically significant and Cronbach’s  $\alpha$  for the measure was .93.

**Change management practices.** Three different change management practices that generally are considered to be beneficial for the implementation of change are accounted for in this study (cf. van Dam et al., 2008; Van der Voet, Kuipers, & Groeneveld, 2015; Wright et al., 2013). These are



communication, participation, and individual attention for employees. Our measure is based on Herold et al. (2008). Using a 5-point Likert-type scale ranging from 1 (*totally disagree*) to 5 (*totally agree*), respondents were asked to what extent the change process reflected these change management practices. Two items were used to measure each of the three process-related characteristics.

**Control variables.** Several control variables were included in this study to account for organizational and individual factors and variables related to the organizational change. Organizational size was coded as 1 (0 to 20 employees), 2 (20 to 50 employees), 3 (50 to 100 employees), 4 (100 to 500 employees), 5 (500 to 1,000 employees), 6 (1,000 to 2,000 employees), 7 (2,000 to 5,000 employees), and 8 (more than 5,000 employees).

The individual factors we controlled for are gender, age, educational level, and tenure (number of working years for the current employer). We coded gender as a dummy variable (with 1 = female). Age was a continuous variable ranging from 22 to 65. Reflecting the Dutch educational system, educational level was subdivided into six categories (1 = primary education, 2 = secondary vocational education, 3 = preparatory academic education, 4 = vocational education, 5 = higher vocational education, and 6 = academic education). This variable was, as is generally the approach adopted, treated as a continuous variable (see van Jaarsveld, Walker, & Skarlicki, 2010). Tenure was a continuous variable ranging from 0 to 45.

Related to the cutbacks being implemented in the organization, additional control variables were included in the analysis. Employee reactions to change may be influenced by other changes that were implemented at an earlier point in time. Also known as a so-called “reform fatigue,” employee’s change history may be another relevant characteristic in shaping their reaction to change. With respect to the change history, we included two control variables. The first control variable accounts for when the last reform has been finished, coded as a dummy variable where “1” stands for 2012 or more recent and “0” represents before 2012. The second control variable accounts for the average amount of reforms that have been implemented in the respondent’s organization over the last 10 years.

## Analysis and Results

The analysis presented in this study consists of three steps. First, the factor structure of all the variables in the study is examined, and the resulting model fit is tested with a confirmatory factor analysis (CFA). The CFA was conducted using STATA version 12. Following this, descriptive statistics and some basic inferential statistics (correlations and *t* tests) are presented. Furthermore, a regression analysis is presented to test the study’s central hypotheses, including interaction effects to account for the role of change management practices in the implementation of cutbacks.<sup>1</sup> All descriptive and inferential statistics were calculated using STATA version 12.

### The Measurement Model

The factor structure of the study’s constructs was examined by means of a CFA. The overall fit of the measurement model was tested using absolute and relative fit indices. In general, a chi-square test is used to assess the sample data in relation to the implied population data. However, there are concerns about using the chi-square test because its probability is sensitive to sample size (Jöreskog, 1993). In larger samples (as in this research), the chi-square test almost always leads to the rejection of the model because the difference between the sample covariances and implied population covariances will lead to a higher chi-square value if the sample size increases.<sup>2</sup> As a result, a number of alternative fit measures have been developed (Hu & Bentler, 1999), including the Tucker–Lewis index (TLI) and the comparative fit index (CFI). The values for this

**Table 1.** Factor Loadings and Average Variance Extracted.

Construct	Factor loadings	AVE
Organizational commitment	OC1 (.743), OC2 (.598), OC3 (.695), OC4 (.821), OC5 (.825), OC6 (.779)	0.559
Work engagement	WE1 (.697), WE2 (.817), WE3 (.855), WE4 (.818), WE5 (.814), WE6 (.822), WE7 (.626), WE8 (.720), WE9 (.739)	0.594
Communication	COM1 (.802), COM2 (.891)	0.719
Participation	PAR1 (.738), PAR2 (.838)	0.623
Individual attention	IA1 (.872), IA2 (.885)	0.772

Note. AVE = average variance extracted; OC = organizational commitment; WE = work engagement; COM = communication; PAR = participation; IA = individual attention.

model were .89 (TLI) and .91 (CFI). Based on these fit indices, one can conclude that the model is a reasonable fit. In addition, the root mean square error of approximation (RMSEA) value of .081 indicates that the model is a reasonable fit and the standardized root mean square residual (SRMR) value of .045 indicates that the model is a good fit (Byrne, 2001).

Each indicator significantly loaded onto the appropriate factor and all loadings were above .60. These results verify the posited relationships among the indicators and constructs, thus showing evidence for the convergent validity of the constructs. To further assess the convergent and discriminant validity of our constructs, the average variance extracted (AVE) for each construct is calculated. All standardized factor loadings and AVE values are given in Table 1. Following Fornell and Larcker (1981), we show that the AVE of all constructs is greater than .50 and therefore demonstrate satisfactory convergent validity. To assess the discriminant validity of our concepts, the squared correlation coefficients between all constructs were assessed. Although the correlations between organizational commitment, work engagement, and the change management practices are reasonably high (see Table 2), these squared correlation coefficients do not exceed the AVE of the change management practices, thereby showing evidence of discriminant validity (Fornell & Larcker, 1981).

### *Descriptive Statistics and Correlations*

In Table 2, the means, standard deviations, and correlations between the constructs are presented.

Table 2 indicates significant negative relationships between cutbacks and the organizational commitment and work engagement of employees. A *t* test was done to further assess the relationship between cutbacks, organizational commitment and work engagement. The *t* test indicated significant differences ( $p < .001$ ) between the respondents who had experienced reform aimed at cutbacks versus respondents who had experienced reform aimed at improvement. The mean scores for both groups are given in Table 3.

### *Regression Analysis and Interactions*

In the final step of the analysis, the dependent variables (organizational commitment and work engagement) were regressed on the independent variables in the study. Separate regression models were calculated for organizational commitment (Table 4) and work engagement (Table 5).

For both dependent variables, the personal characteristics explain a very small degree of the explained variance (Model 1). Moreover, the results of the regression analysis indicate that the implementation of cutbacks is negatively related to organizational commitment (Model 2 in Table 4). This result is in support of H1a. However, the analysis does not fully support the theoretical

**Table 2.** Means, Standard Deviations, and Correlations ( $N = 6,066$ ).

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11	12
1. Age	50.59	9.329	—											
2. Gender	0.41	0.493	-.13***	—										
3. Education level	4.11	0.743	-.09***	.05***	—									
4. Tenure	17.39	11.169	.15***	-.21***	-.16***	—								
5. Organizational size	5.40	1.824	-.06***	-.11***	-.04**	.11***	—							
6. Last reform after 2012	0.149	0.349	.08***	.00	-.01	.09***	-.08***	—						
7. Average number of reforms in the last 10 years	0.41	0.354	-.06***	.02	.00	-.12***	-.02	-.17***	—					
8. Cutbacks	0.63	0.484	-.03*	-.00	-.03*	.02	.02	-.16***	.09***	—				
9. Organizational commitment	3.68	0.766	.02	-.00	.01	.05***	.03*	.11***	-.15***	-.17***	—			
10. Work engagement	3.99	0.668	-.00	.02	.04**	.01	-.02	.04**	-.05***	-.06***	.56***	—		
11. Communication	2.91	0.984	.00	.00	-.00	-.01	-.01	.06***	-.10***	-.12***	.34***	.14***	—	
12. Participation	2.58	0.983	.00	.03*	.01	-.05***	-.10**	.06***	-.09***	-.17***	.35***	.16***	.62***	—
13. Individual attention	2.55	0.976	-.04**	.02	.03*	-.06***	-.07***	.07***	-.09***	-.16***	.43***	.21***	.62***	.64***

\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

**Table 3.** *t* Test: Cutbacks Versus Improvement (*N* = 6,066).

	Cutbacks ( <i>n</i> = 2,267)	Improvement ( <i>n</i> = 3,799)
Organizational commitment	3.57	3.84
Work engagement	3.96	4.05
Communication	2.81	3.07
Participation	2.46	2.79
Individual attention	2.43	2.74

Note. All differences are statistically significant with  $p < .001$ .

\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

expectations, since the implementation of cutbacks is not negatively related to work engagement (Model 2 in Table 5). Therefore, the analysis does not support H1b. We elaborate on these findings in the discussion section. In addition to the effect of cutbacks, the results show that the average amount of reforms that respondents experienced in the past years is also negatively related to both organizational commitment and work engagement. The analysis indicates that “reform fatigue” is more negatively related to organizational commitment than to work engagement. Moreover, the results show that the timing of the reform—whether the reform was implemented before or after 2012—is not negatively related to organizational commitment and work engagement.

The analysis further indicates several positive significant relationships between the three change management practices that were represented in the analysis (communication, participation, and individual attention) and the dependent variables (Model 3 in Tables 4 and 5). All three change management practices are positively related to employee organizational commitment, and participation and individual attention are positively related to work engagement. For both organizational commitment and work engagement, the effect size of individual attention is larger than the effect sizes of communication and participation. As stated in H2a and H2b, we were especially interested in the interactions between change management practices and the implementation of cutbacks, to assess to what degree different management practices can mitigate any negative relationship between cutbacks and employee commitment and engagement. The analysis indicates several significant interaction effects, related to the organizational commitment of employees. In Models 4, 5, and 6 in Table 4, the interaction variables for the three change management practices were entered in the analysis. The relationship of all three interaction variables to organizational commitment is statistically significant, supporting H2a. In contrast, the analysis does not provide support for H2b. Models 4, 5, and 6 of Table 5 show that the relationship between cutbacks and work engagement is not moderated by the three change management practices.

The results suggest that the change management practices may moderate the relationship between cutbacks and employee organizational commitment through communicating, encouraging participation, and having individual attention for employees during the implementation process. The statistically significant relationships that are indicated in the regression analysis are plotted in Figures 1 to 3 to interpret the effects. The slopes indicate that employees who have experienced a high degree of the three change management practices report a higher degree of organizational commitment than respondents who have not. Furthermore, the figures show that the slopes of communication, participation, and individual attention are more positive for cutbacks than for improvement-related reforms.

## Discussion

This study contributes to the available empirical evidence concerning the negative relationship between cutbacks and employee well-being (e.g., Cameron, Kim, et al., 1987; Conway et al.,

**Table 4.** Regression Analysis Organizational Commitment (N = 6,066).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Age	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.000 (.001)	-.001 (.001)	-.001 (.001)
Gender (female)	.005 (.020)	.005 (.020)	.007 (.018)	.005 (.018)	.006 (.018)	.004 (.018)
Education level	.023 (.013)	.017 (.013)	.014 (.012)	.014 (.012)	.013 (.012)	.013 (.012)
Tenure	.004*** (.001)	.003** (.001)	.004*** (.001)	.004*** (.001)	.004*** (.001)	.004*** (.001)
Organizational size		.011* (.005)	.022*** (.005)	.022*** (.005)	.022*** (.005)	.022*** (.005)
Last reform after 2012		.137*** (.028)	.109*** (.026)	.110*** (.026)	.110*** (.026)	.110*** (.026)
Average number of reforms in the last 10 years		-.251*** (.028)	-.166*** (.025)	-.164*** (.025)	-.163*** (.025)	-.162*** (.025)
Cutbacks		-.239*** (.020)	-.134*** (.018)	-.317*** (.059)	-.302*** (.052)	-.345*** (.053)
Communication			.054*** (.012)	.013 (.018)	.055*** (.012)	.053*** (.012)
Participation			.071*** (.013)	.074*** (.013)	.032 (.017)	.074*** (.013)
Individual attention			.243*** (.013)	.243*** (.013)	.244*** (.013)	.191*** (.017)
Communication × Cutbacks				.062** (.019)	—	—
Participation × Cutbacks					.063*** (.018)	—
Individual attention × Cutbacks						.080*** (.019)
Adjusted R <sup>2</sup>	.002	.050	.228	.228	.229	.229

Note. Unstandardized regression coefficients are reported. Standard errors are given in parentheses.

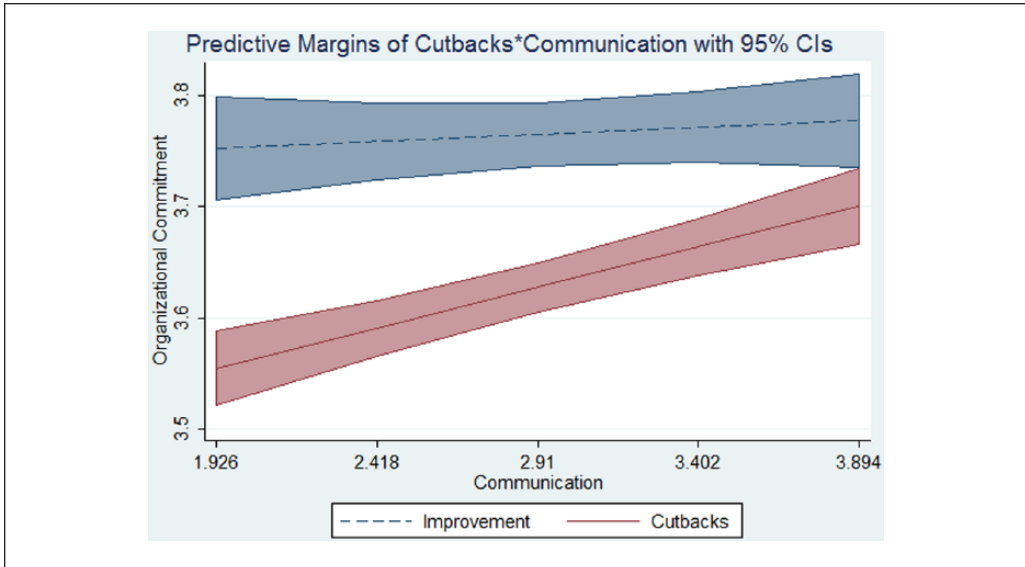
\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .



**Table 5.** Regression Analysis Work Engagement (N = 6,066).

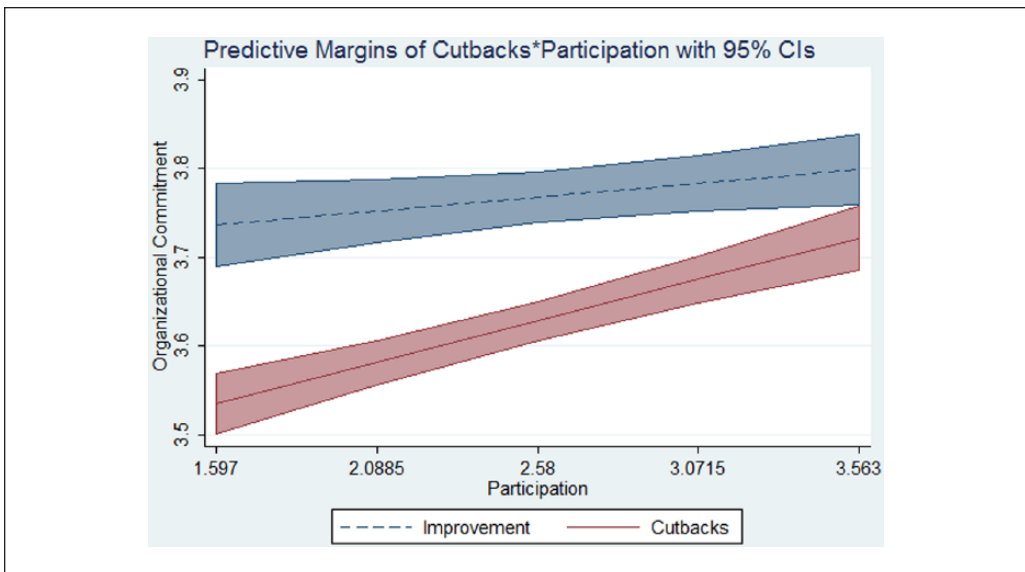
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Age	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)
Gender (female)	.029 (.018)	.026 (.018)	.026 (.017)	.026 (.017)	.026 (.017)	.026 (.017)
Education level	.034** (.012)	.031** (.012)	.029* (.011)	.030* (.011)	.029* (.011)	.029* (.011)
Tenure	.001 (.001)	.001 (.001)	.002 (.001)	.002 (.001)	.002 (.001)	.002 (.001)
Organizational size		-.007 (.005)	-.002 (.005)	-.002 (.005)	-.002 (.005)	-.002 (.005)
Last reform after 2012		.044 (.025)	.032 (.025)	.032 (.025)	.032 (.025)	.033 (.025)
Average number of reforms in the last 10 years		-.079** (.025)	-.075 (.024)	-.045 (.024)	-.045 (.024)	-.045 (.024)
Cutbacks		-.077*** (.018)	-.034 (.018)	-.048 (.057)	-.051 (.051)	-.077 (.051)
Communication			-.002 (.012)	-.005 (.017)	-.002 (.012)	-.002 (.012)
Participation			.030* (.012)	.031* (.012)	.026 (.016)	.031* (.016)
Individual attention			.117*** (.012)	.117*** (.012)	.117*** (.012)	.106*** (.017)
Communication × Cutbacks				.005 (.018)	—	—
Participation × Cutbacks					.006 (.018)	—
Individual attention × Cutbacks						.017 (.018)
Adjusted R <sup>2</sup>	.001	.008	.052	.052	.052	.052

Note. Unstandardized regression coefficients are reported. Standard errors are given in parentheses.



**Figure 1.** Interaction: Cutbacks × Communication.

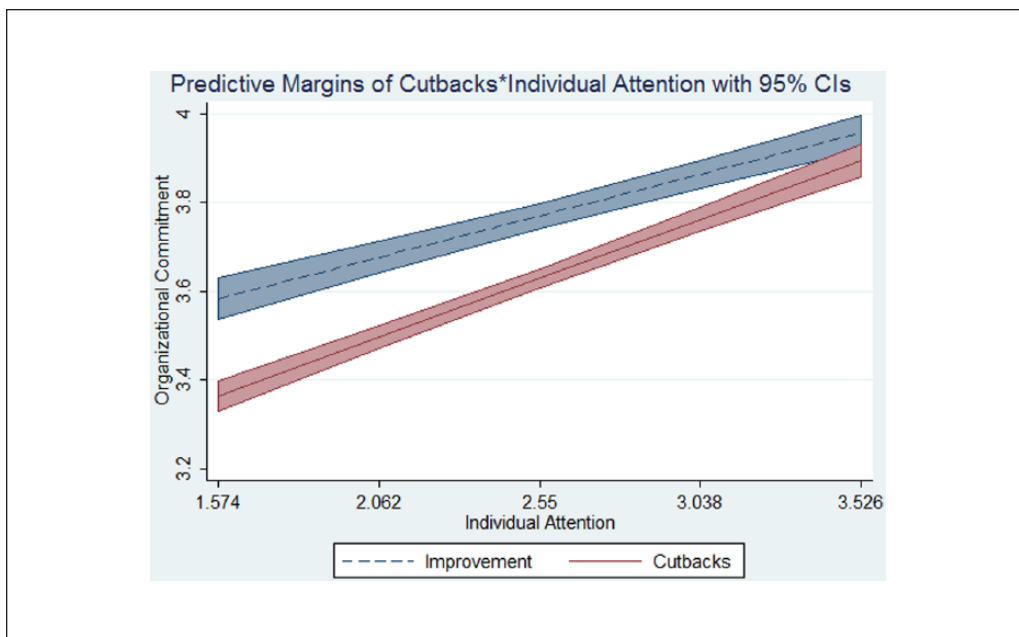
Note. CI = confidence interval.



**Figure 2.** Interaction: Cutbacks × Participation.

Note. CI = confidence interval.

2014; Kiefer et al., 2014; Lindorff et al., 2011). The results show that public sector workers respond differently to organizational change aimed at cutbacks than they do to organizational changes with other objectives (cf. Kiefer et al., 2014). Furthermore, we have distinguished between organizational commitment, an attitude that concerns the attachment of an individual to their organization, and work engagement, an attitude that encompasses the energy and motivation that employees have in their job. The analysis indicates that the organizational



**Figure 3.** Interaction: Cutbacks  $\times$  Individual Attention.

Note. CI = confidence interval.

commitment of employees is negatively related to cutbacks, but that their work engagement is not. On the one hand, this result underlines the view that the morale and well-being of employees in times of financial austerity should be a managerial priority. The managerial challenges inherent to the implementation of cutbacks should thus not only be seen in terms of financial or strategic decision making but also in terms of human resource management. On the other hand, the analysis also indicates that not all attitudes of public sector employees are affected equally. This result resonates with Yang and Pandey (2008) and Yang and Kassekert (2010), whose work show that public sector reform does not necessarily have negative effects. Furthermore, Conway et al. (2014) find that psychological contract breaches as a result of announced budget cuts affect the contribution of public sector workers toward their organization, but not to toward public service users. The implementation of cutbacks at a school, for example, may thus cause teachers to feel less committed to the organization, but it does not deprive them of their energy and engagement in their work. In this respect, the results of our study confirm the conclusions of Hallberg and Schaufeli (2006) that organizational commitment and work engagement are distinct constructs and reflect different aspects of work attachment. Because of this, the negative consequences for decreased organizational performance in the public sector as a result of cutbacks may be limited.

The absence of a negative relationship between cutbacks and work engagement can possibly be explained through the distinct motivational bases which have been attributed to public sector personnel (Perry, 1996; Perry & Wise, 1990; Vandenabeele, 2007). In a recent study of a city undergoing a reorganization and reduction in workforce, Wright et al. (2013) show that the motivation to contribute to society that often characterizes public sector employees, also known as public service motivation (PSM), may explain why civil servants are supportive of organizational change, even if these changes negatively affect their work. At the heart of the argument made by Wright et al. (2013) is the “self-sacrifice” dimension, which makes civil servants less likely to resist changes that have negative consequences. In a similar mechanism,

public service motivation could possibly explain why the work-related attitudes of public sector employees are not negatively affected by the implementation of cutbacks. We therefore underline the suggestion by Wright et al. (2013) that “although PSM does not increase support for austerity-driven changes because of their potential benefits, it can at least reduce employee resistance by decreasing the emphasis that employees put on the potential personal costs associated with these changes” (p. 744). This is in line with observation by Conway et al. (2014) that commitment toward the public sector—a concept related to PSM—may moderate the relationship between cutbacks and withdrawal of employee contributions. As has been suggested by Bakker (2015), PSM is an important job resource for public sector workers. Future research could investigate to what extent and when PSM may shield public sector employees from the negative consequences of cutback management.

The second contribution of this study to the literature on cutback management in the public sector is our explicit emphasis on the process of change. Other studies have argued that the public sector literature on reform and change has paid little attention to implementation processes (e.g., Kickert, 2010; Van der Voet, 2014). Recent studies of change in public sector organizations have indeed shown that implementation processes have a large bearing on employee support for change (Van der Voet et al., 2015; Wright et al., 2013). Similarly, in our analysis, the change management practices accounted for the largest proportion of explained variance in both dependent variables. Our interest in the role of change management practices during the implementation of cutbacks has not been aimed at creating support for the change among employees, but to what extent change management practices may help to mitigate any negative effects of cutbacks on employee commitment and engagement. As suggested by H2a, the change management practices significantly moderate the negative relationship between cutbacks and organizational commitment. However, as proposed in H2b, change management practices do not moderate the relationship between cutbacks and work engagement. Perhaps the absence of significant interactions regarding work engagement can be explained by the relatively small effect size of cutbacks on work engagement. Therefore, there are less opportunities for change management practices to moderate this relationship. Alternatively, other studies suggest that work engagement is more dependent on intrinsic factors (Hallberg & Schaufeli, 2006).

Our results indicate that individual attention for employees should be a central change management strategy during the implementation of cutbacks. Paying individual attention to the needs and worries of employees during the implementation of cutback can decrease the strength of the negative relationship between cutbacks and organizational commitment. This result can be understood because of the particular nature of cutbacks as an organizational change. All organizational changes are likely to result in uncertainty or even anxiety among personnel. However, it has been argued that cutbacks are even more likely to distress among personnel, because they affect the job security of employees (Levine, 1979, 1984). Managers would do well to personally communicate sensitive information, and not only send information about the change but also engage in a personal dialogue with employees to take away anxiety and uncertainty.

Finally, our data suggest that change management practices may mitigate the negative relationship between the implementation of cutbacks and organizational commitment. Although this finding may be promising to organizational practice, we note that the degree in which change management practices are actually applied in the Dutch public sector is relatively low. As can be seen in Table 2, the mean score of most change management practices is well below the scale's mid-point of 3. Moreover, the *t* test in Table 3 suggests that change management practices are significantly less applied in reforms aimed at cutbacks than in improvement-related reform. Although our study thus suggests that change management practices may contribute to the implementation of cutbacks, we simultaneously highlight the need to apply change management practices more rigorously in practice. A limitation of our study is that we have only incorporated three change management practices in our study. We

have followed Herold et al. (2008) in conceptualizing change management as influencing employees through communication, participation, and individual consideration. A broad range of other change management approaches have been identified in the literature, such as an emphasis on power and coercion, or more educative and normative approaches (e.g., Chin & Benne, 1976). In addition, research has examined the framing of decision-making processes regarding cutbacks (Brockner, Weisenfeld, & Martin, 1995). Future research could explore the application of a wider range of change management practices. A limitation of the application of change management for practitioners, however, is that the implementation of cutbacks often results in centralization and formalized implementation approaches (e.g., Levine, 1978; Mintzberg, 1979). Such situations may not allow managers to use participatory approaches to change or express individual consideration for employees. Furthermore, participation during change may also have negative consequences. For example, Dunphy and Stace (1988) argue that participation often remains limited to determining sub-goals, and that participation may result in group-think which prevents the emergence of radically new ideas and innovations.

Another limitation of our study is that our analysis is based on employee perceptions of organizational change and change management. Most importantly, the measurement of our cutback variable is based on a perceptual measure. Because our data were anonymous, we were not able to supplement this perceptual measure with objective financial information concerning the size of cutbacks in the organization. Future research could attempt to incorporate more objective information to allow a multi-level analysis of organizational and individual factors. Moreover, our data were collected using a representative panel of workers across different subsectors of the Dutch civil service. Because of this, we were not able to add further controls for factors related to the organizations in which our respondents work, as well as a wider range of outcome variables. Another limitation of our study is its cross-sectional nature, which does not allow the identification of causality or effects over time. Moreover, because all the measures were self-reported and collected among a single group of employees, the results could be subject to common method bias (Meier & O'Toole, 2013). Given this possibility, we conducted a Harman one-factor test (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Podsakoff & Organ, 1986) to see if the majority of the variance could be explained by a single factor. The 39% variance explained by a single factor shows that common method bias is not a major concern (less than 50% cut-off point). We also acknowledge that our quantitative model is not able to account for the full complexity that is inherent to the implementation of cutbacks and its relationship with employee well-being in administrative practice. Although our study attempts to control for relevant individual, organizational and change-related factors, our model cannot fully control for all factors that shape organizational commitment and work engagement during the implementation of cutbacks. Future research could, for example, consider how psychological differences or the perceived job security of employees shape their reaction to the implementation of cutbacks.

## **Conclusion**

This study has aimed to contribute to the empirical evidence base concerning the relationship between the implementation of cutbacks and employee well-being in the public sector. Furthermore, this study is among the first to empirically assess the role of change management in the implementation process. The results suggest that implementing cutbacks may decrease organizational commitment among employees, but communication, participation and individual attention during the implementation process may alleviate some of the negative results. We hope that our findings inspire other scholars to empirically investigate cutback management in public organizations. In addition, we hope that our findings can help practitioners to mitigate negative effects of the implementation of cutbacks in administrative practice.



## Appendix

### Measures

#### *Change management practices*

##### *Communication*

COM1: Employees were regularly informed about the implementation of the reform.

COM2: The communication before, during and after the reform was clear.

##### *Participation*

PAR1: There was enough possibility for employees' own ideas and input.

PAR2: A broad coalition of employees who support the change was built.

##### *Individual attention*

IA1: There was enough attention for my personal worries about the reform.

IA2: Individual attention was given to employees who had trouble with the reform.

#### *Employee well-being*

##### *Organizational commitment*

OC1: I have little reason to leave this organization.

OC2: Compared with other organizations, working for this organization is predominantly positive.

OC3: I have the feeling that this is a suitable organization for me.

OC4: There are many reasons to continue working for this organization.

OC5: I support the goals of this organization.

OC6: I have sufficient opportunities to apply my competences

##### *Work engagement*

WE1: I am proud of my job.

WE2: My job inspires me.

WE3: I am enthusiastic about my profession.

WE4: I am proud of the work I execute.

WE5: I feel happy when I work intensively.

WE6: My work gives me energy.

WE7: When I am working, I feel full of energy.

WE8: When I wake up in the morning, I look forward to start working.

WE9: I do meaningful work.

### Aurthor's Note

The first author, Joris van der Voet is now affiliated to Leiden University, The Netherlands.

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## Notes

1. For reasons of interpretation and comparability, the results of an ordinary least squares regression analysis have been presented despite the fact that the dependent variables (ordinal discrete variables) strictly require a logistic regression. A robustness check of the results based on an ordinal logistic regression showed that this has no consequences for the main identified relationships reported in our article nor for the explained variance of our dependent variables.
2. Chi-square value =  $N \times$  Difference between sample covariances and implied population covariances.

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