

mean more lucrative compensation packages, everything else being equal). Second, this study underscores the subtle nature of gender differences in compensation. While gender differences in base salary have been narrowed significantly in recent years, gender pay gaps still exist in variable pay. Female executives may want to consider this in preparing for negotiations with firms about their variable pay in executive roles.

Source: Muñoz-Bullón, F. (2010). Gender-compensation differences among high-level executives in the United States. *Industrial Relations*, 49(3), 346–370.

Employee Reactions to Forms of Downsizing: Are There Any Lesser Evils?

Research Brief by Konstantinos Kostopoulos, Teaching and Research Fellow in Management, Athens University of Economics & Business, and Nikos Bozionelos, Professor of Organizational Behavior and International Human Resource Management, Durham Business School, Durham University, United Kingdom

How do employees who survive downsizing react compared to those who do not have experience with it? The answer to this question is extremely timely, as organizations increasingly turn to downsizing to cut costs and enhance profitability. But downsizing isn't an all or nothing proposition. Indeed, downsizing can take many different forms, including layoffs, outsourcing, and offshoring. Consequently, do some forms of downsizing harm employee morale less (or more) than others? Needless to say, it is important to understand the effects of these diverse forms on the way survivors view their work environment and the stance they take toward their employers.

Clearly, downsizing, regardless of its specific form, involves the deliberate elimination of jobs. And in general, we would expect job eliminations to generate negative reactions in survivors. But our understanding of the effects of specific forms

of downsizing still leaves much to be desired. For example, we know very little about how alternative downsizing methods, such as layoffs, outsourcing, and offshoring, impact survivors' reactions, or whether survivors see one form as "less evil" than another.

Carl Maertz Jr. (Saint Louis University), Jack Wiley (Kenexa Research Institute), Cynthia LeRouge (Saint Louis University), and Michael Campion (Purdue University) attempted to fill this gap in our knowledge. Specifically, they looked at how different forms of downsizing (e.g., layoffs, outsourcing, and offshoring) were related to the views of survivors and to the views of those who had not experienced downsizing in a representative sample of the American workforce. In their study they explored a host of factors that reflect survivors' perceptions of their work environment and attitudes toward their employing organization. These included management fairness, empowerment, work satisfaction, job security, organizational performance, attachment to the organization, and intentions to quit.

Maertz and his colleagues believed that those employees who survived downsizing would end up with less favorable views and attitudes than their counterparts who did not experience downsizing. For example, survivors may view downsizing as a threat to their job security, an indication of poor organizational performance, or a symptom of unfair management behavior. Survivors may also develop negative feelings toward the organization, as well as perceiving that organizational goals are difficult to achieve. These may in turn lead to higher turnover intentions. Furthermore, Maertz and his colleagues expected that different forms of downsizing would generate differences in perceptions and attitudes among employees.

What Maertz and his colleagues found was that, overall, employees who survived downsizing were more likely to have poorer perceptions of their work environment and more negative attitudes toward their employers than employees who did not experience downsizing. However, this finding was largely driven by layoffs that employees saw in their workplaces.

In particular, compared to a control group of employees, those employees who experienced lay-

offs—either alone or combined with offshoring or outsourcing—tended to have lower attachment to the firm, higher turnover intentions, and a weaker sense of job security, and were less likely to feel their company was performing well. Outsourcing and offshoring, alone or together, did not have any similar effects. According to Maertz and his colleagues, this makes sense because employees may perceive these two forms of downsizing—especially outsourcing—as potentially less harmful for their jobs and less threatening for their future employment than outright layoffs.

When comparing employees who experienced outsourcing to those who survived offshoring, relatively few differences were found. Nevertheless, survivors of offshoring had less affection for their employers and were less likely to believe that management was fair. In other words, outsourcing is apparently viewed by employees as more benign than offshoring. This could be either because outsourcing is seen as less threatening for jobs or because offshoring is seen as less patriotic, or both.

Although layoffs emerged as definitely the most harmful downsizing form for survivors' morale, Maertz and his colleagues also found exceptions to this pattern. For example, employees who were transferred either to domestic (outsourcing) or to foreign parties (offshoring) felt less empowered and perceived management as less fair compared to their counterparts who had survived layoffs. In addition, offshoring and outsourcing had a stronger multiplicative effect than layoffs, meaning that those who had survived multiple offshoring and outsourcing events declared lower attachment and stronger intentions to quit than their counterparts who had experienced multiple layoffs over the same period of time. Nevertheless, and despite these exceptions, the findings clearly suggested that in the minds of employees layoffs are the most "evil" way to downsize.

Another key finding of the study was that communication by management and whether employees viewed management as ethical did counterbalance the negative influence of downsizing on survivors' perceptions of management fairness, empowerment, and work satisfaction. According to Maertz and his colleagues, this means that the deleterious effects of downsizing on survivors' re-

actions are mitigated when top management spends time to properly communicate the reasons behind downsizing.

In a nutshell, Maertz and his colleagues have clearly shown us that employees surviving job elimination are likely to demonstrate at least some negative reactions. Experiencing layoffs (as opposed to downsizing due to offshoring and outsourcing) appears to be by far the most harmful form of downsizing in terms of damage to survivors' perceptions of the work environment, attachment to their employer, and desire to stay. Of the other two forms, outsourcing appears to be the most benign in terms of survivors' reactions, with offshoring being in-between. On a more positive note, it also appears that management action can act to buffer or neutralize some of the detrimental effects of downsizing on survivor morale, particularly if managers communicate wisely and behave ethically.

Source: Maertz Jr., C. P., Wiley, J. W., LeRouge, C., & Campion, M. A. (2010). Downsizing effects on survivors: Layoffs, offshoring, and outsourcing. *Industrial Relations*, 49(2), 275–285.

Happiness Around the World: Is There More to It Than Money?

Research Brief by Nikos Bozionelos, Professor of Organizational Behavior and International Human Resource Management, Durham Business School, Durham University, United Kingdom, and Ioannis Nikolaou, Associate Professor of Organizational Behavior, Athens University of Economics & Business, Athens, Greece

Does money cause happiness? This has been an omnipresent question across the timeline of human history that has so far evaded a fully satisfactory answer. Social scientists have found that indeed there is a relationship between national wealth and happiness, with inhabitants of wealthier nations generally reporting greater subjective well-being (the term social scientists use for happiness). However, there is still a host of

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