THE MEDIATING ROLE OF DISTRIBUTIVE, PROCEDURAL, AND INTERACTIONAL JUSTICE ON THE RELATIONSHIP BETWEEN DOWNSIZING AND ORGANIZATIONAL CITIZENSHIP BEHAVIOR

Adrienne L. Hart, Columbus State University
Neal F. Thomson, Columbus State University
Tobias M. Huning, University of North Florida

ABSTRACT

Downsizing has become a salient issue to organizations in recent years. Research has shown that downsizing can result in unfavorable outcomes in terms of survivor’s attitudes and behaviors toward the organization. This paper proposes that perceived justice mediates the effect of downsizing on organizational citizenship behavior among those involved in organizational downsizing. Specifically, we propose that perceived fairness will mediate the effect of downsizing on organizational citizenship behavior among survivors, victims, and unaffected workers. Implications and avenues for future research are discussed.

INTRODUCTION

Downsizing is a serious issue that is impacting large numbers of workers in the US and Worldwide. In the last six months of 2010, Caterpillar, Verizon, Pfizer, Merck, Wal-Mart Stores, Alcoa, AT&T, Boeing, and Home Depot have each downsized their companies’ labor force by at least 8,000 jobs (Kneale & Turchioe, 2010). In 2014, Hewlett-Packard completed its downsizing of 34,000 employees over a 4-year period (Poeter, 2013). The United States Bureau of Labor Statistics reported that 80,703,000 jobs have been lost as of September 2010 due to temporary and permanent downsizing, and those losses continue. In the first quarter of 2013, another 154,374 workers lost their jobs. While this was down from 2012, it reflects a continued pattern of downsizing (BLS, 2013). Datta, Guthrie, Basuil, and Pandey (2010) stated, “Global competitive pressures coupled with ever-changing demand conditions have caused firms to critically examine their cost structures, including those associated with human resources” (p.282). However, there are not solely benefits from downsizing, and the negative impact is often ignored (Leonard, 2009). Chipunza and Berry (2010) stated, “while it has become a common practice for organizations operating in the current global economy characterized by recession and political instability to downsize in order to remain competitive, a grave problem of survivor quality arises” (p.604).

Downsizing is of particular interest vis-à-vis the organizational justice perspective with much evidence pointing toward the impact layoffs have on organizationally relevant outcomes such as commitment, fairness perceptions, and employee turnover (van Dierendonck & Jacobs, 2012). Downsizing creates a work environment defined by high levels of uncertainty and research suggests that those employees who feel treated with respect and fairness are more likely to accept the process and remain committed to the organization (van Dierendonck & Jacobs, 2012). The way in which survivors respond to the downsizing can have far-reaching effects for
the organization. An organization’s existence rests upon employees who remain after cutbacks are complete. Accordingly, employee behaviors and productivity become ever more important to the future functioning of the organization. Armstrong-Stassen (2000) stated, “Organizational citizenship behavior has been shown to be related to improved organizational effectiveness (Podsakoff & MacKenzie, 1997), workgroup performance (Podsakoff, Ahearne, & MacKenzie, 1997), and individual performance (Van Dyne & LePine, 1998)” (p.159). If downsizing has a lasting effect on morale, it would then be probable that organizational citizenship behavior will also be affected (Armstrong-Stassen 2000).

Organ (1988) found perceived justice to be an essential determinant of organizational citizenship behavior. When an individual feels that he or she has been treated fairly by the organization, they are more likely to exhibit organizational citizenship behaviors. However, those who feel they have been treated unfairly by their organization will withhold exhibiting organizational citizenship behaviors. James & Tang (1996) stated, “The way in which an organization handles labor cuts and downsizing is critical to the efficient functioning of the organization after the downsizing is complete” (p.34). Furthermore, Shin et al. found that the justice climate set by the organizational leadership plays an important role between the conduct of the leadership team and organizational performance (Shin, Sung, Choi, & Kim, 2015).

Little research has been conducted on how significant workplace events can influence justice perceptions on work attitudes (Clay-Warner, Hegtvedt, & Roman, 2005). According to Moorman, Niehoff and Organ (1993), perceptions of justice are important predictors of work attitudes and may also contribute to the effectiveness of an organization by directing an employee’s decision to exhibit organizational citizenship behaviors. Therefore, the purpose of this paper is to examine whether perceived justice mediates the effect of downsizing on organizational citizenship behavior among those of organizational downsizing.

**DOWNSIZING**

Since the recession of the late 1970’s and early 1980’s, employers have been looking for ways to cut costs (Appelbaum, Simpson, & Shapiro (1987). One of the ways employers cut costs is by reducing the number of employee positions within their companies. Downsizing has become the new way of thinking as employers realize they can get by with less. According to Freeman and Cameron (1993), downsizing has spread widely and has moved from being seen as a last attempt effort to save a failing company, such as Chrysler in 1979, to becoming an accepted way of managing.

Downsizing involves reducing the number of personnel in all or some departments within a company. Freeman and Cameron (1993) stated “A variety of personnel reduction strategies are associated with downsizing, such as transfers, outplacement, retirement incentives, buyout packages, layoffs, attrition, and so on” (p.12). Other strategies may be used to downsize the expenses of the company, although employees are often seen as targets of the largest cutbacks. According to Cameron (1994), downsizing also focuses on the organization’s effectiveness. It is used to lower operating costs while maintaining productivity in order to compete with other organizations. Downsizing affects the work processes of an organization. When downsizing is used to reduce a workforce, it leaves the organization with fewer employees to do the same amount of work. Negative as well as positive outcomes can come from these layoffs. Possible consequences are that overworked employees feel burnout and conflict, but changes in work processes may lead to improved productivity and speed.
There are three main types of implementation strategies used for downsizing. Workforce reduction is the most commonly used strategy, and it is implemented in a variety of different ways such as offering early retirements, transfers, attrition, and layoffs. According to Cameron, et al. (1993), the main purpose of this strategy is to make the organization aware of the conditions that exist, to motivate cost savings in daily work, and to unfreeze the organization from changes in the future. The second downsizing strategy is work redesign, which avoids terminating employees and increasing workload. The disadvantage to using this strategy is the time it takes to conduct research, implement and produce results. However, this strategy helps to make sure the changes made are pointed at the work processes. The third strategy is systematic strategy, which focuses on changing the employees as well as the organization (Cameron, 1994). By changing the attitudes and values of employees, the systematic strategy strives to redefine downsizing as a process that is ongoing rather than just a target. Cameron et al. (1993) stated, “examples of downsizing targets include reducing wait time, response time, rework, paper, incompatibilities in data and information systems, number of suppliers, and rules and regulations” (p.34). Rather than employees being seen as targets up for elimination, they are considered as resources to the organization. Organizations that choose to use this strategy will create a sense of employee ownership to reduce costs. Cameron et al. (1993) stated, “Because this strategy takes a long-term perspective, it may not generate the immediate improvement in bottom-line numbers that a workforce reduction strategy will generate” (p.34).

There are both benefits and problems associated with downsizing in organizations. Some of the benefits of downsizing include lower overhead and smoother communication (Appelbaum, Delage, Labib, & Gault, 1997; Cascio 1993). However, according to Appelbaum and colleagues (1987) the widespread use of downsizing has had major negative consequences on both the macro and micro environments. It puts a larger strain on unemployment and welfare programs. Employees who lose their job due to downsizing may lack the confidence they need to get a new job. According to Sahdev (2004), it leaves businesses to pay the high cost associated with employee severance packages. Sahdev (2004) states, “financial measures, such as return on assets, return on equity, sales to total assets, and the ratio of market to book value equity, are negatively affected by the announcements of layoffs” (p.166). Other consequences of downsizing are changes in the distribution of power throughout the organization, one’s level of trust, teamwork, communication processes, and leadership style.

The consequences of downsizing go far beyond the functions of the organization while reaching the emotions of the individuals and “survivors” impacted by the changes. Sahdev (2004) states, “the reactions shown by survivors include emotions such as anger, insecurity, a perception of unfairness, depression, reduced risk taking and motivation, as well as low levels of morale” (p.166). Making the adjustment is difficult because downsizing disrupts social networks at work and leaves “survivors” unsure of what is yet to come. The “survivor syndrome” research suggests there are different reasons for it, such as a breach of one’s psychological contract and perceptions of unfairness within the organization. Doherty and Horsted (1995) stated that some human resource professionals define survivor syndrome as being the “mixed bag of behaviors and emotions often exhibited by remaining employees following an organizational downsizing” (p.26).

Few organizations implement downsizing in a way that improves overall organizational effectiveness (Cameron, Freeman, & Mishra, 1991). However, some are achieving success by following a few common practices. According to Cameron et al. (1991), the first practice organizations should follow is initiating from the bottom, but implement from the top. Lower
level employees tend to know more about the everyday operations of the company, so they are able to make better judgments about which functions and resources to cut. The second practice that organizations should follow in downsizing should be both short-term and long-term oriented (Cameron et al. 1991; Cascio, 1993). When reducing the workforce it needs to be done in a short-term manner so that it does not prolong insecurities among workers. Long-term changes need to be implemented such as changes in culture, attitudes, values, and business strategies. Thirdly, organizations should pay special attention to “survivors” and victims (Cameron et al. 1991; Cascio, 1993). According to Feldman and Leana (1994), organizations should pay attention and have concern for “survivors” of layoffs so that employees who remain with the organization will continue their commitment and be productive members. According to Cameron et al. (1991) this is done by providing severance packages, outplacement services and family counseling to victims, training and development opportunities, and communication of information to “survivors”. Lastly, organizations should evaluate the organizations’ structure, set goals, and have a clear ending to the process (Cameron et al. 1991; Cascio, 1993).

Employees who remain with an organization after downsizing will express feelings and attitudes that will affect their behavior (Hareli & Tzafrir, 1996). According to Moorman (1991), one way to assess the relationships between perceptions of fairness and employee behavior is to include more nontraditional types of behavior. Moorman (1991) stated “These nontraditional behaviors are on-the-job behaviors that are not usually captured by traditional job descriptions and thus are more likely to be under personal control” (p.845). One example of a nontraditional job behavior is organizational citizenship behavior. Organ (1988) defined organizational citizenship behavior as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization” (p.4).

Organ (1988) identified five dimensions belonging to organizational citizenship behaviors. The five-dimensional model of OCB includes altruism, courtesy, sportsmanship, conscientiousness, and civic virtue. Altruism is the category that consists of discretionary behaviors that are aimed to help certain people in an organization with a certain task or problem (Organ, 1988). Then courtesy includes consulting with other employees within the organization before acting, giving advance notice, and relaying information (Organ, 1988). Sportsmanship refers to making problems seem bigger than they are, complaining about the small stuff, and having a negative viewpoint on situations (Organ, 1988). Conscientiousness involves employees going above and beyond the minimum requirements of the organization (Organ, 1988). Finally, civic virtue is the last dimension of the OCB model; it refers to how politically involved an employee is in the organization (Organ, 1988).

Researchers have found a strong relationship between perceptions of procedural justice and OCB in a number of studies (Moorman, Blakely & Niehoff 1998). “Organ (1988, 1990) proposed “a social exchange explanation whereby employees perform citizenship behaviors to reciprocate the fair treatment offered by organizations” (p.351). Moorman (1991) and Organ (1988, 1990) proposed two reasons why fairness could predict organizational citizenship behavior. The first reason is based on Adams (1965) equity theory, which proposes that the unfairness one feels will create tension within, and they will try to resolve it in a manner that restores equity (Moorman 1991). The second reason is based on Blau’s (1964) social exchange theory. Moorman (1991) also proposed a relationship between distributive justice and organizational citizenship behavior based on Adam’s equity theory and Blau’s (1964) social exchange theory.
Building on the works of Gouldner’s norm of reciprocity (1960), Blau (1964) formed a concept, which included two exchanges in organizations, namely economic and social exchanges. Blau’s (1964) theory of social exchange lays out the theoretical and conceptual foundations for understanding organizational citizenship behavior (Love & Forret 2008). Ahmadi, Forouzandeh, and Kahreh (2010) stated, “social exchange theory explains when the employee uses social exchange approach, they show more commitment and better performance in comparison with the time when they just wait for economic rewards for their practices” (p.111). Employees take part in social exchanges in order to receive both intrinsic and extrinsic rewards. Some research suggests that the exchanges between employees and their management have the potential to create perceived job insecurity and thereby reduce organizational citizenship (Chak Fu, Ashford, Jian, & Lee, 2015). The resulting fairness perceptions influence social exchanges, which are seen as continuous and having no end (Love & Forret, 2008).

**ORGANIZATIONAL JUSTICE**

According to Datta et al. (2010), individual outcomes due to downsizing have been explained using justice theories, the foundation for which individuals evaluate situations and make a decision to react favorably if they have been treated fairly. The term “organizational justice” coined by Greenberg (1987) refers to theories of social and interpersonal fairness that may be used to understand behavior in organizations. Konovsky and Brockner (1993) stated that value can be found in examining the effects of an organizational downsizing in terms of organizational justice because “the layoff process consists of a series of events in which victims and survivors evaluate the fairness of the layoff procedures” (Hopkins & Weathington 2006, p.137). Historical research on justice perceptions is based on John Stacey Adam’s equity theory. Adam’s Equity Theory recognizes that there are different factors that affect an employee’s perception of their relationship between work and employer. This theory is based on the belief that employees value fair treatment, which causes them to be motivated to seek out social equity in the rewards they expect for performance. Brockner, Cooper-Schneider, Folger, Martin, and Bies (1994) stated, “Other research, stimulated by Thibault and Walker’s (1975) pioneering efforts, has suggested that worker’s perceptions of fairness of the procedures used to arrive at a resource allocation also influence their reactions to the outcomes received, as well as their evaluations of the parties responsible for the allocation decision.” (P.397). Moreover, research has suggested that those who perceive justice and fairness will reciprocate by exhibiting the discretionary organizational citizenship behaviors (Sharma & Agrawal, 2014).

Organizational justice currently contains three constructs studied by researchers. The three constructs are distributive justice (Price & Mueller, 1986), procedural justice (Thibault & Walker, 1975), and interactional justice (Bies & Moag, 1986). In this paper, we will discuss the mediating effects of distributive justice, procedural justice, and interactional justice.

**DISTRIBUTIVE JUSTICE**

Since the early 1970s, the study of justice was mostly concerned with distributive justice (Colquitt, Conlon, Wesson, Porter & Ng. 2001). A large extent of this research was developed from previous work done by Adams, who evaluated fairness by using a social exchange theory framework (Colquitt et al. 2001). Clay-Warner et al. (2005) refer to distributive justice as the “fairness in the distribution of a set of outcomes to a defined circle of recipients” (p.90).
McFarlin and Sweeney (1992) stated that "distributive justice may be a more important predictor of outcomes, like satisfaction with pay level, than procedural justice" (p.627). Some examples of distributive justice include perceptions of human resource management practices, such as hiring decisions, the outcomes of performance appraisals, raise requests, decisions about downsizing, and layoffs. There are also both structural and social determinants of distributive justice (Eskew, 1993). Structural determinants are defined as the rules and outside factors that impact decision making (Eskew, 1993). Then social determinants mirror the interpersonal treatment that is allocated to the person who receives an outcome (Eskew 1993). According to Eskew (1993), Bies (1986) found that job applicants who had been rejected for a job perceived the process to be fairer when the company showed concern over its decision.

Niehoff and Moorman (1993) found that perceptions of distributive justice were not positively correlated to organizational citizenship behavior when employees defined their relationships with their employers as only economic exchanges. Eskew (1993) stated, “one particular study emphasizes Organ’s (1988b, 1990) contention that an employee will switch from social exchange to economic exchange as the result of loss of trust in long-term fairness” (p.191). Employees who receive a pay cut and are treated unfairly are more likely to take part in deviant work-related behaviors than employees who were treated fairly (Greenberg 1990). These actions may be seen as non-related organizational citizenship behaviors (Eskew, 1993). Niehoff and Moorman (1993) stated: “If employees define their relationships with employers as social exchanges, reciprocation would likely entail behaviors that exist outside of any specific contractual promise” (p.534). Niehoff and Moorman further stated that “an employee would provide OCB because doing so would be consistent with the positive quality of the employment relationship, not because a contract specified it” (p.534).

Hence, we suggest the following proposition.

**Proposition 1**

Distributive justice will mediate the effect of downsizing on organizational citizenship behavior among prior victims more than on survivors.

**PROCEDURAL JUSTICE**

Viswesvaran and Ones (2002) define procedural justice as “the (perceived) fairness of the means or procedures used to determine that outcome” (p.193). When an undesired outcome is matched with the perception of an unfair decision, employees may feel a sense of resentment towards the decision maker and the organization. Konovsky and Brockner (1993) suggested that “resentment is often directed toward the organization and its managers after downsizing” (p.137). Brockner et al. (1994) also pointed out that “advance notice- the period between the time at which employees are notified about a decision and the time at which the consequences of the decision take effect is one (relatively under-researched) element of procedural justice” (p.398). This line of reasoning follows Leventhal’s six rules, which focus on procedural justice and the outcomes that accompany it.

Leventhal’s (1980) six rules include consistency, bias, accuracy, reversibility, representativeness, and compatibility (Viswesvaran & Ones, 2002). These rules are used as a foundation to identify the differences between the legal and organizational context. Leventhal (1980) proposed that procedural perceptions influenced future perceptions of distributive justice.
Other studies have found an interrelationship between procedural justice and distributive justice in the workplace and among downsizing survivors (Clay-Warner, Hegtvedt, & Roman, 2005). Moorman (1991) stated, “Greenberg (1987) found that when outcomes were considered low (unfair), just procedures prompted an increase in the mean perceived fairness rating of an outcome” (p.847).

A clear link can be made between procedural justice and organizational outcomes such as job performance, job satisfaction, organizational citizenship behaviors, and organizational commitment (Viswesvaran and Ones 2002). Employees feel a sense of control over organizational outcomes when they are directly involved in the decision-making process. Viswesvaran and Ones (2002) found that procedural justice had a stronger correlation to organizational commitment, organizational citizenship behaviors, and productivity than distributive justice.

According to Niehoff and Moorman (1993), Lind and Early (1991) proposed that an independent relationship can be made between procedural fairness and organizational citizenship in using the group value model of procedural justice. Niehoff and Moorman (1993) stated, “specifically, the group value model suggests that an employee sees procedures as fair if they communicate that the employee is a respected and valued member of a work group” (p.535). Unlike victims, survivors are likely to take a closer look at how their employer treats them in order to obtain evidence that they are still valuable to the group. This information is quite valuable in times of organizational uncertainty. Therefore, we suggest the following proposition.

**Proposition 2**

Procedural justice will mediate the effect of downsizing on organizational citizenship behavior among survivors more than on victims.

**INTERACTIONAL JUSTICE**

Interactional justice concerns an individual’s perception of the degree to which he or she is treated fairly by another in terms of the distribution of resources and everyday interactions (Bies & Moag, 1986). Interactional justice also includes social actions such as how a supervisor treats an employee, listening to employee concerns, providing employees with information about decisions, and being empathic towards employees (Skarlicki & Folger, 1997). Survivors’ perceptions of interactional justice are of significant importance in mediating the behavioral and attitudinal consequences of the layoffs (Brockner, Grover, Reed, DeWitt & O’Malley 1987).

In the first type of social account, survivors will feel a greater sense of attachment to the organization when the reason for downsizing is addressed (Speitzer & Mishra, 2002). According to Speitzer and Mishra (2002) “regarding the second type of social account, communicating a clear vision of how the downsizing will benefit all the stakeholders’ increased attachment because survivors can see a real future for the organization” (p.713). Then the third type of social account, survivors are treated with respect and feel a stronger attachment because they feel they are appreciated and valued by the organization (Speitzer and Mishra 2002). The three types of social accounts associated with interactional justice can lessen the severity of downsizing and strengthen the attachment a survivor has with the organization because the survivor has a clear understanding of the downsizing (Speitzer and Mishra 2002).
Naumann, Bennett, Bies, and Martin (1998) noticed that during the layoff process, a negative relationship exists between perceived interactional justice and negative employee reactions. When employees are affected by a layoff, it is important to conduct the process with professionalism, treat employees with respect, provide employees with the necessary information, and provide support. A manager should be aware of the impact of interactional justice during the downsizing process.

Moorman (1991) found that out of the three justice dimensions, interactional justice was the only dimension significantly related to organizational citizenship behaviors. Moorman (1991) said, “Reasons for why interactional justice was the only source of justice found to relate to OCB may lie in the differences between interactional justice and formal procedures and in the differences between procedural justice in general and distributive justice.” (p.852). This means that survivors who thought they were treated fair by their supervisors in regards to the downsizing will be more likely to take part in organizational citizenship behaviors. Mishra and Spreitzer (1998) noted “if survivors are ignored and blamed for the downsizing, it is likely that they will be threatened by the downsizing” (p.577). Survivors will be more likely to take part in deviant work behaviors because they feel mistreated by management.

Based on the above, we suggest the following proposition.

Proposition 3: Interactional justice will mediate the effect of downsizing on organizational citizenship behavior among survivors more than on victims.

**Figure 1:** The full model, incorporating all three propositions, appears below in Figure 1.

We examined the relationships between perceptions of distributive, procedural, and interactional justice, and organizational citizenship behaviors among, survivors, victims, and unaffected workers in the event of a downsizing. Specifically, we proposed a mediating role for perceptions of distributive, procedural, and interactional justice between downsizing and organizational citizenship behaviors. We presented three propositions regarding the role of justice on OCB.

The first proposition we made is that distributive justice will mediate the effect of downsizing on organizational citizenship behavior among prior victims more than on survivors. This is important as the presence of OCB and more importantly the absence of the negative deviant work behaviors noted by Greenberg (1990) can have both reputational and profitability impacts on the firm (Appelbaum, Iaconi and Matousek, 2007). Therefore, designing a layoff procedure that is viewed as as fair as possible from a distributive justice perspective (outcomes) would be expected to yield better future performance for the firm, due in part to the absence of negative deviant behavior on the part of the layoff victims. While those former employees would

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have less impact on direct profits than the survivors, they could create negative reputational effect, particularly through the use of social media. According to Kieselbach and Mader (2008), the primary determinants of perceived distributive justice in layoff come from two factors: whether the layoffs are based on employee performance, and the presence of outplacement assistance for those who are laid off.

The second proposition we made is that procedural justice will mediate the effect of downsizing on organizational citizenship behavior among survivors more than on victims. Since downsizing survivors are the company’s remaining workforce, the presence of OCB and absence of negative deviant behaviors amongst this group will have the most direct impact on the profitability and reputation of the firm. Therefore, this group will need to see the process as fair. Kieselbach and Mader (2008) indicate that procedural justice is most heavily influenced by employees having input to the process, consistency of rule application, accuracy of information used, some form of appeals process, and social sensitivity.

The third proposition that we made is that interactional justice will mediate the effect of downsizing on organizational citizenship behavior among survivors more than on victims. Since interactional justice focuses on social actions such as how a supervisor treats an employee, listening to employee concerns, providing employees with information about decisions, and being empathic towards employees (Skarlicki & Folger, 1997), the behaviors of the specific managers involved in the layoffs may be as important as the process and the outplacement assistance provided. Proper training and the selection of empathic managers to oversee the layoff process would be important in addressing interactional justice.

This model, if supported by subsequent research, suggests that a properly designed layoff process, with support offered to those laid off, and properly implemented by caring, empathic management, can be critical to organizational survival after the layoffs are concluded. While individual pieces of this model are supported by past research, the next step will be to design a study to test the full model, identify companies planning layoffs and test the propositions listed above.

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