

# Economic recession: the implications for employee motivation

**Vicky Sinclair** explores the strengths and weaknesses of traditional cognitive models such as expectancy theory

The current economic downturn has implications for many aspects of employees' motivation – job insecurity, promotions and demotions, stagnated careers, thwarted expectations – but the impact of the recession on people is mainly measured in terms of unemployment.

Expectancy theory, by its rational cognitive nature, while including individual subjective elements and addressing both intrinsic and extrinsic views, could be a good way to look at the influence of the recession on employees' motivation. However, expectancy theory also has limitations, especially in terms of unaddressed crucial issues such as unconscious mechanisms, problems with multiplicity of the three different categories within the theory, lack of accounting for behaviour over time, and perhaps an over-rationality of the theory resulting in an over-simplification of motivation in a complex climate.

## Definition of the main terms

The ongoing global financial crisis has been accompanied by **recession** in many countries. According to the National Bureau of Economic Research (NBER), a recession is 'a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income and other indicators'. Most commentators and analysts use, as a practical definition of recession, two consecutive quarters of decline in a country's real (inflation adjusted) gross domestic product (GDP). Some economists prefer a definition of a 1.5 per cent rise in unemployment within 12 months.

Work **motivation** is a set of internal and external forces that initiate work-related behaviour and determine its form, direction, intensity and duration<sup>1</sup>. The definition recognises the influence of both environmental forces and forces inherent

in the person regarding work-related behaviour<sup>2</sup>. Among traditional motivational theories, Vroom's expectancy theory<sup>3</sup> is based on the fact that motivation of employees to perform at work was shown to be the result of three specific categories of beliefs that they held about their work. These beliefs are labelled: 1) expectancy, 2) instrumentality, and 3) valence. Expectancy is the belief that if one puts forth effort, it will result in performance. Instrumentality is the belief that if one performs, there will be a reward. Valence is the perceived value of the reward to the recipient<sup>4,5</sup>. In Vroom's model, these three aspects combine themselves multiplicatively:

$$\text{Motivation force} = \text{Valence} \times \text{Instrumentality} \times \text{Expectancy (VIE)}$$

## Recession and the impact on employment

According to the Harvard Business Review<sup>6</sup>, recessions fall into two broad groups. Most are relatively brief and shallow. A recent International Monetary Fund (IMF) analysis of 122 recessions in 21 developed countries since 1960, found that a

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typical recession lasted about a year. In rare cases, downturns are catastrophically deep and enduring (eg the Great Depression in the 1930s). The current recession may have features of both types of downturn. Most observers, including the IMF, the World Bank, the Organisation for Economic Cooperation and Development (OECD) and nearly all private forecasting agencies, agree that it will not be as deep as the Great Depression and will not persist as long as the lost decade<sup>7</sup>.

It is difficult to fully understand this new hybrid type of recession. In September 2009, the CIPD (Chartered Institute of Personnel and Development) published an assessment of the overall impact of recession on the UK labour market. Official figures show that unemployment has risen above 2.5 million. The percentage fall in employment during the recession has been less than a third as large as the percentage contraction in the economy. This represents a much lower 'job distress ratio' than was suffered in the recession of the 1980s and 1990s. According to the CIPD<sup>8</sup>, the burden of labour market adjustment, compared with previous recessions, has been shared more evenly across the workforce in the form of reductions in incomes

rather than impacting mainly on jobs. A 'shared pain recession' of this kind demonstrates that, contrary to common perception, Britain's flexible labour market is advantageous for jobs and social wellbeing. Unfortunately, official third quarter figures from the Office for National Statistics show that unemployment will continue to rise in 2010, resulting in a prolonged squeeze on pay packets lasting well into the next decade.

Economists mainly focus on unemployment consequences of the recession and very little on job satisfaction and wellbeing, for example, which is traditionally the concern of psychologists, even though these elements could also have an impact on economics. Focusing on unemployment rather than also on other correlates of economic recession and other labour market phenomena such as job insecurity, promotions and demotions, stagnated careers or thwarted expectations, may only offer a limited approach<sup>9</sup>.

However, unemployment and job losses, in times of recession, also remain the main focus, in terms of psychological wellbeing and impact on motivation<sup>10</sup>. Simon<sup>11</sup> describes the tension between the two approaches (economists versus psychologists) as an important distinction between 'the substantive view of human rationality' common to neoclassical microeconomics and 'the procedural view of human rationality' common to psychology. It is commonly asserted that an exogenous shock to the macro-economy leading to unemployment, such as the current recession, can be offset by an appropriate policy stimulus that returns the economy to its original point. This description of events ignores the social psychological consequences of exposure to unemployment. These factors are likely to affect personal productivity, motivation and attitudes toward participation in the labour force<sup>12</sup>.

### **Recession and motivation: an expectancy theory view**

The general strengths of expectancy theory, and perhaps the reason why it has been one of the most popular theories of motivation so far, is that it represents rationality in economics. As such, it may allow a good understanding of the various impacts of the economic downturn on people and their motivation in the work context. It is sophisticated enough to encompass both objective and subjective criteria<sup>13</sup>, intrinsic and extrinsic influences, as well as the concept of locus of control<sup>14</sup>, which will be exposed later on in this article. It concentrates on a cognitive process with very well defined categories, allowing clear conclusions to be drawn. A cognitive appraisal could contribute to a clear rational vision and help the regulation of emotion.

However, these very strengths could also represent drawbacks in particularly sensitive and complex climates such as in our current recession, which is full of unknown elements and doubts about the future. Expectancy process seems to work better when there is clear information about the effort/performance/reward linkages, which is not currently the case.

Some of the main limitations of expectancy theory with regard to the impact of the recession on motivation will now be explored in more detail. They are related to the lack of acknowledgement of unconscious processes, problems with multiplicity of the different categories, the lack of account for behaviour over time, an emphasis on individual preferences only, and perhaps an over-rationality of the theory, resulting in an over-simplification of motivation in a complex climate.

### Problems with multiplicative theory

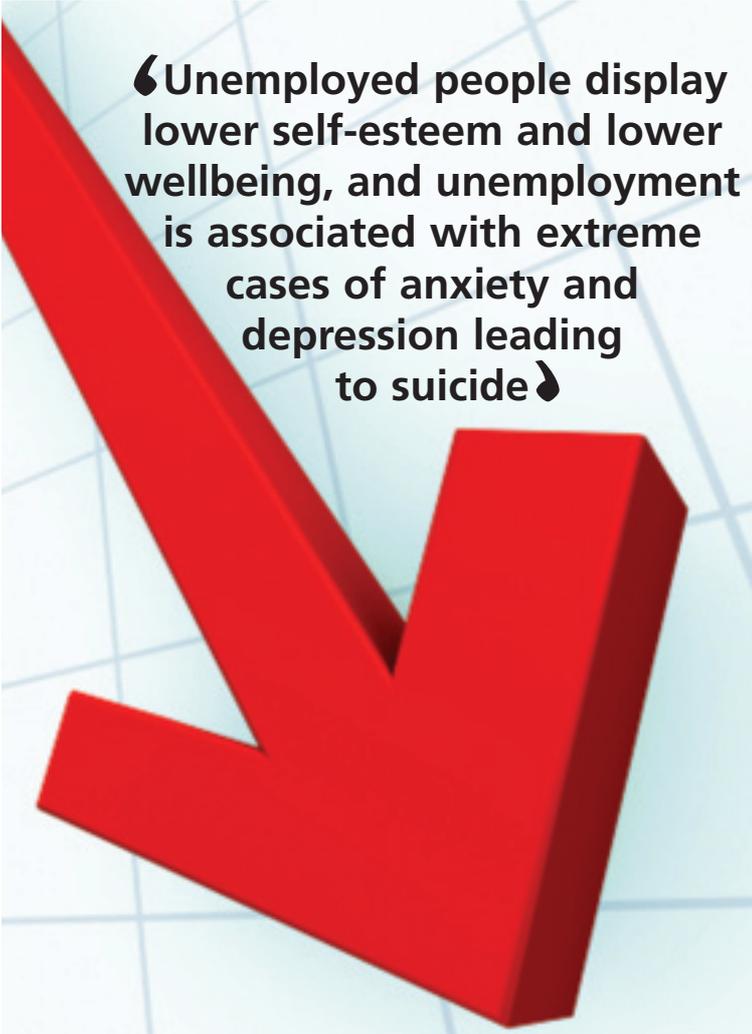
Van Eerde and Thierry's meta-analysis<sup>15</sup> highlighted the fact that multiplicative models did not yield higher effect sizes than analyses of the specific

components. Yancey et al<sup>16</sup> suggest that components of expectancy theory that are generally combined additively or multiplicatively may in fact 'cancel each other out' when combined. Ambrose and Kulik's research review<sup>2</sup> suggests that a simple main effect model may provide a better fit for the relationship between variables than multiplicative models. If we look at the level of motivation of job seekers in the current depressed market, through expectancy theory, it could be assumed that people will not have high expectations (E) in finding a job, in spite of great efforts, since the unemployment rate rose above 2.5 million. The same could be applied to the instrumentality (I) factor. If we take the example of pay, and looking at the reduction of incomes issue<sup>9</sup>, the probability of finding a well paid job is reduced. When people face adversity in the course of goal pursuit, expectancies for eventual attainment can determine whether they persist or disengage<sup>17</sup> – because low expectancies indicate that continued investments of time and effort are unlikely to pay off in the end. The scarcity of good jobs logically makes finding work a very high value (V) component. The same could be applied to employees trying to keep their current jobs, in spite of a high risk of being made redundant and potential lowering of wages.

Since two out of the three components of expectancy theory are particularly low in times of recession, it is to be hoped that Ambrose and Kulik's<sup>2</sup> suggestion is correct and that, in spite of the low probability of finding or keeping a good enough job, people will remain highly motivated, by the simple main effect provided by the high value given to jobs. A multiplicative concept, if validated, could suggest a disastrous effect on motivation, as two low components out of three would mathematically show a lower general motivation level, preventing people from fully exploring the potential of the UK flexible labour market.

### Problems with over-rationalisation of the theory

Expectancy theory, which represents rationality in economics, is one of the simplest theories<sup>18,19</sup> and consequently has been criticised for its limitations. Considerable research has been summarised that indicates we act less than logically. In fact, irrational behaviour is so pervasive that researchers such as Albanese<sup>20</sup> conclude 'the economic assumption of rationality is violated in the behaviour of every person'. This statement could not be more accurate in times of recession, due to the anxieties and perhaps irrational thought process it may produce. Akerlof<sup>21</sup> argues that expectancy theory should take the notion of 'salience' into account, salience



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referring to individuals' undue or excessive sensitivity to the present and consequent undervaluing of the future.

### Limitations about time

A major limitation to expectancy theory is that it is episodic, and as a result, it has difficulty accounting for behaviour over time<sup>22</sup>. Van Eerde and Thierry's meta-analysis<sup>15</sup> shows that expectancy theory predicts behaviour over time rather weakly and significantly less well than one's intention to perform<sup>23</sup>. In times of recession and an uncertain future, it seems important that people have tools allowing them to appraise the situation over time, and not only episodically, in order to enable a projection into the future, to find reassurance and to develop a strategy, to cope effectively during and after the recession.

### Problem with individual focus

Expectancy theory is mainly focused on individual preferences and 'within subject', as opposed to a 'between subjects' approach. Konrad<sup>24</sup> makes an interesting attempt to reinterpret expectancy theory from the point of view of social constructionism. According to Konrad, this shift seems necessary for a meaningful analysis of the changes in work motivation during times of transition. The recession is a transitional change. Transitional macro-processes on the one hand determine the proximal organisational context, that is, organisational culture and climate, which in turn influence individual work behaviour via perceived opportunities and constraints. On the other hand, individual and group behaviours in turn also influence this proximal organisational context, which has some impact on the dynamics of transitional changes.

Subjectivity is taken into account in expectancy theory. However, criticisms of the theory seem to reach the conclusion that not enough of an attempt is being made to take into consideration emotional and unconscious influences, as opposed to rational cognitive elements. The acknowledgement that individuals compute expectancy calculation implicitly and, therefore, do not exhaust cognitive resources<sup>25</sup> is an important element and it seems clear that expectancy theory does not really explain how this type of factor could impact on motivation.

### Issues related to emotional and mental health

Numerous studies conducted over the past two decades have mapped out the negative consequences of being unemployed. These studies revealed that unemployed people display lower self-esteem and lower wellbeing, and that unemployment is even

associated with extreme cases of anxiety and depression leading to suicide<sup>26</sup>. Such extreme cases have recently been well documented in France, within the company France Telecom, where 23 employees have killed themselves since the beginning of 2008. Since the privatisation of the company in 1998, some 40,000 jobs have gone, and unions say there is pressure on many employees either to leave or to accept new working conditions (BBC, 12/09/09). Vansteenkiste et al<sup>27</sup> have shown that expectancy theory is a negative predictor of job search. Feather and O'Brien<sup>28</sup> explain their null finding by suggesting that additional extra-personal forces (eg financial worries) and/or intra-psychic demands (eg avoiding feelings of guilt or shame) might pressure individuals with low job-finding expectancies to search for a job.

Two meta analyses found that significant changes in mental health can accompany transitions into or out of unemployment. When people lose their jobs, a significant deterioration in mental health can occur. When unemployed people find new jobs, their mental health improves significantly<sup>29,30</sup>. These results endorse the assumption that unemployment causes distress<sup>31</sup>. Viewed through an expectancy theory lens, which also encompasses individual subjective appraisal, it is to be feared that mental health deterioration due to redundancy would have a very negative impact on the three components of the theory, giving as a result a motivational force approaching zero, depending on the severity of the mental health deterioration. In such circumstances, it is questionable whether such a theory would be helpful in understanding the issue of motivation in times of recession and high levels of redundancy and unemployment.

### Problems with unaddressed unconscious aspects of motivation

Levinson<sup>32-34</sup> views psychoanalysis as a theory of motivation<sup>35</sup>. This motivation theory is unique, because it focuses on the effect that unconscious phenomena play in motivating people. Extrapolated to organisations, Levinson seeks to understand how unconscious motivations influence organisational functioning. Psychoanalysis as a theory of motivation differs from theories that emphasise expectancy<sup>3</sup>, job enrichment<sup>36</sup> or goal setting<sup>37</sup> for instance, as these theories suggest that motivation results from cognitive (and conscious) decisions and choices<sup>35</sup>.

In the same way that it is unhelpful, or biased, to say that expectancy theory is strictly cognitive and rational, it would be equally incorrect to say that psychoanalysis only remains within unconscious spheres. Diamond, for example<sup>38-39</sup>, offers the most comprehensive psychoanalytic approach

to organisational change, which is certainly one of the consequences of the current recession. Psychoanalytic approaches seek to bring to the surface, at a cognitive level, some of the conflicts, defences and regressive tendencies endemic to individual and collective behaviour, motivation included. In 'Illusion and the stock market crash: some psychoanalytic aspects', Kirsner<sup>40</sup> mentions that psychological confidence is essential to the functioning of the market. The central importance of psychology here is underlined by the way self-fulfilling prophecies can pull the market down through panic, leading to more and more panic. Changing cognitive appraisal is not always easy. Work needs to be done at an unconscious level in order to achieve long lasting change. As an example, it would seem important to explore what influences unconscious fear of loss in general could have on motivation, in an environment where so many people lose their jobs every day. These aspects are not being addressed by expectancy theory.

### Positive aspects

In summary, and if we take the individual point of view, it is obvious that redundancy and unemployment have a significant economic impact on those who lose their jobs. They also have a negative impact on a person's psychological and social wellbeing<sup>10</sup>. However, and on a positive note, others have argued that job loss can be framed in such a way as to have positive effects for some individuals in certain situations<sup>41</sup>. For example, some people may view job loss as an opportunity and a chance to change career and life direction. To make a philosophical parenthesis, Schumpeter's 'creative destruction'<sup>42</sup> could be extended to the idea that downturns in the economic cycle are good for clearing out the dead wood or ideas at the end of their product life, or sclerotic institutions, and by contrast, investment in new ideas and risk is in favour, as is creativity<sup>43</sup>.

The influence of positive affect does not seem to have been adequately incorporated into motivation theories, but a recent study highlights a noteworthy influence of these affects on the components of expectancy theory<sup>44</sup>. Individual self-esteem, for example, will have an impact on perceptions of effort, performance and expectations. Lawler<sup>45</sup> has complemented expectancy theory by introducing elements such as the concept of locus of control which, in a way, anticipated the concept of self-efficacy developed later on by Bandura<sup>46</sup>. Coping efficacy is equivalent to perceived control in a stressful situation. 'Internal locus of control' relates to a person's beliefs that they can act upon the world. 'External locus of control' addresses a person's

belief that their actions are influenced by fate or other powerful elements. In times of hardship and uncertainty, such as the recession, external locus of control could appear as being dominant and impossible to command. Internal locus of control and self-efficacy seem necessary concepts to bear in mind if a better individual management of the recession is to be achieved. Even though Lawler has been criticised for adding too much complexity to expectancy theory, this refinement of the original theory seems an imperative addition in time of recession. An integration of different theories of motivation<sup>23</sup> could provide a better understanding of employees' motivation and compensate for the insufficiency of expectancy theory used alone.

### Conclusion

If Whitmore<sup>47</sup> is correct when he says that the current crisis is a symptom of a long-term global social trend – the shift from hierarchy to self-responsibility – and that this is a highly significant stage in human evolution, then it could be assumed that expectancy theory's individual focus is helpful in understanding the current trends and how people motivate themselves in times of recession. In particular, it encompasses subjective appraisal and is complemented by the concept of locus of control, allowing a possible positive and creative vision. However, major elements such as unconscious process, mental and emotional health and projection over time, are unforgivably missing in expectancy theory, in an uncertain climate prone to instigating doubts and anxieties, with the impediment on motivation that these affects could produce on people. Further research on ways to integrate theories of motivation could be the way forward, for a better understanding of the recession's implications for employees' motivation. ■

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