

# **Saving the Company Comes at a Cost: The Relationship between Belt-Tightening Tactics and Increased Employee Misconduct**

*Ethics Resource Center (ERC)*

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## **Objective:**

The objective of this brief is to observe what relationship there may exist between cost-cutting tactics (such as layoffs, workload adjustments, reductions in compensation and/or benefits, etc.) and rates of observed misconduct. Also of interest is whether certain types of companies or employee groups are at greater risk than others.

## **Methods:**

The NBES is conducted biennially via telephone questionnaire. In 2009, the survey had 3010 respondents, of which 158 were removed due to being government employees, since the survey was attempting to survey only employees of for-profit businesses, for a revised total of 2852 respondents. Calls were made to randomly sampled residential households within the contiguous 48 states.

To be eligible for participation in the 2009 survey, respondents had to be:

- Eighteen years of age or older;
- Currently employed;
- Working for a company that employs at least two people; and
- Working at least 20 hours per week for their primary employer.

Results of the survey were weighted based on gender and age, according to statistics obtained from the 2000 U.S. Census data. Only 12% of all non-demographic questions had a difference of two or more percentage points between un-weighted and weighted results.

## **Key Findings:**

- Of all cost-cutting tactics utilized, reductions in compensation/benefits and adjusted work schedules are linked to the most dramatic increases in misconduct
- Small organizations are particularly vulnerable to increase in misconduct when belt tightening tactics are used
- When these tactics are used, 67% of first line supervisors observe misconduct-double the rate of first line supervisors in companies not using such tactics
- While as a general rule, privately held companies have lower rates of observed misconduct than publicly traded companies; this edge disappears when cost cutting tactics are used in private companies
- The rise in observed misconduct is especially steep in younger employees compared to other age groups
- Cost cutting techniques are linked to greatly reduced rates of employee commitment and intention to stay with the company

**Conclusion:**

While it is logical to see that cost-cutting tactics reduce employee satisfaction with the company and there are increased rates of observed misconduct (particularly infractions such as internet abuse and other “low level” issues), this brief shows that some types of tactics exacerbate these issues more than others. When considering cost cutting techniques, managers should take into consideration the age of their workers, the type of tactic, the size of their company, whether or not they are publicly traded, and several other factors in deciding which tactic to employ.

[Full Report](#)