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Linking shifts in the national economy with changes in job satisfaction, employee engagement and work–life balance

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ABSTRACT

This paper examines the extent to which job satisfaction, employee engagement, and satisfaction with work–life balance are influenced by changes in the macroeconomy. Data on employee attitudes are obtained from the Age and Generations dataset, a survey of more than 2000 employees from nine large organizations that took place just prior to and immediately following the onset of the 2007–2009 recession. We find that the state of the macroeconomy impacts job satisfaction, employee engagement, and satisfaction with work–life balance, suggesting that employees' job- and family-related attitudes are influenced by factors beyond the immediate job and family domains.

Are employees' cognitive assessments of and affective and behavioral orientations toward work and the work–life interface related to the economic well-being of the society in which they live? In the vast literatures on employee attitudes and work–life balance, scholarly efforts to identify the determinants of these outcomes have concentrated almost exclusively on workplace factors, family factors, and individual characteristics. Yet since people form attitudes about their jobs and work–life balance within the context of a larger set of economic conditions, it is plausible that macroeconomic circumstances could have an impact on employees' assessments of their jobs, their personal lives, and work–life balance. For instance, cross-national research has shown that employees' perceptions of job insecurity are related to the national level of unemployment (Erlinghagen, 2008).

The research presented in this article examines relationships between macroeconomic circumstances and employees' assessments of job satisfaction, employee engagement, and satisfaction with work–life balance, each of which has been of broad and sustained interest to researchers, managers, and the public in recent years. These three outcomes are worthy of study both because they are linked to employee well-being and because they predict a number of outcomes that are vital for employers, including productivity and performance, retention, and organizational commitment (Amstad et al., 2011; Judge et al. 2001; Saks, 2006). Some employers have established initiatives designed to boost job satisfaction, employee engagement, and work–life balance. However, they may not realize that the state of the economy could affect employees' attitudes as well, potentially altering the intended impact of their actions. For example, an economic boom might lift employee attitudes or a downturn might diminish them, regardless of actions taken by employers. This question became relevant to employers in the United States as the country entered an economic recession in 2007 and is now of interest to employers in numerous other countries facing macroeconomic uncertainty (for example, the European Union's debt crisis).

Surprisingly, research on the link between macroeconomic conditions and employee attitudes is very sparse, even though researchers have long recognized that employee behaviors are influenced by conditions in the social systems within which they occur. Social ecology, for instance, posits that individuals' behaviors are shaped by the micro (family), meso (organizational), and macro (societal) systems within which they function (Bronfenbrenner, 1979). For instance, research has found that the presence of young children in a family affects women's work absenteeism more than men's (Vistnes, 1997). These findings reveal how societal gender role norms in the family's social systems typically assign greater responsibility for caring for children to mothers than to fathers which, in turn, may influence women's decisions to stay home from work.

With respect to the potential link between the macroeconomy and employee attitudes, there is some evidence that individuals continuously scan their environments and take external conditions into account as they assess their current circumstances (Hayes and Allinson, 1998). Therefore, the information they glean about the economic context may shape attitudes and intentions, such as job and career satisfaction, career plans, turnover intentions, retirement intentions, psychological well-being and assessments of work–life balance. For example, a 2012 study (Ameriprise Financial, 2012) found that the confidence of members of Generation X and Y in their ability to secure their financial future fell from 57% in 2007, prior to the recession, to 38% in 2011.

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The present study examines employee attitudes before and during the severe 18-month U.S. downturn that started in December 2007, known as the "Great Recession." The data come from the 2007–2008 Age & Generations (A&G) Study, a micro-level dataset of more than 2000 employees from nine large firms that was conducted by the Sloan Center on Aging & Work at Boston College. The A&G data contain detailed information on employee attitudes as well as numerous other employee-level measures. The data are ideally suited for our examination of macroeconomic effects on employee attitudes because they were collected just prior to the economic recession and then again soon afterwards.

For the sake of parsimony, we refer collectively to the three dependent variables of our study—job satisfaction, employee engagement, and satisfaction with work–life balance—as employee attitudes. Each construct meets the definition of an employee attitude in that each encompasses beliefs and feelings held by an employee about a particular issue or object (Fishbein and Ajzen, 1975). That is, each involves a cognitive assessment of the job or the interface of work and personal life, as well as an associated affective orientation.

The findings from this paper add substantially to the current understanding of whether economic fluctuations and the overall health of the economy relate to employee attitudes. First, to our knowledge, the impact of the broader macroeconomy per se has not previously been considered as a predictor of these three outcomes. The severity of the Great Recession, with such an abrupt halt to a near 20-year expansion (albeit with one minor recession in the early 2000s), provides a unique opportunity to evaluate just how employee attitudes respond to changes in economic conditions. The Great Recession lasted 18 months, compared with other post-WWII recessions that ranged from 6 months to 16 months. Economic activity declined 5.1% and employment fell 6.3%. The ensuing recovery has also been historically sluggish. In the early 1980s it took seven quarters for gross domestic product to reach its pre-recession level, in the early 1990s it took five quarters, and in the early 2000s it took just one quarter. It took 14 quarters (i.e., more than 3 years) to reach the level of GDP that was achieved prior to the downturn (Federal Reserve Bank of Minneapolis, 2013).

Second, not only did the economy experience a sharp decline, but the way in which the decline took place sheds light on the relationship of particular aspects of the macroeconomy to employee attitudes. For example, the bursting of the housing bubble took place prior to the sharp decline in the stock market and the sharp increase in unemployment. The timing of these events allows us to examine impacts of different dimensions of the economy on employee attitudes.

Finally, our research has implications for managerial considerations regarding workplace policies and actions that could be implemented during future economic downturns. The historically-sluggish recovery and weak macroeconomic outlook with the potential for increased volatility in economic growth highlight the importance of understanding how macroeconomic conditions influence employee attitudes.

1. The role of macroeconomic factors

Research on the impact of macroeconomic conditions is largely absent within the literature on work attitudes and work–life balance. Some studies have considered macroeconomic effects in an indirect way, such as through the impact of downsizing (Allen et al., 2001). Other studies have accounted for macroeconomic effects by including a single all-encompassing control variable, such as a dichotomous indicator for whether the economy is in recession, or time dummies to capture general changes over time (Lippman, 2008). However, the focus of most research on employee attitudes has not considered the potential effects of the macro-level context outside of the workplace. This limitation persists despite the fact that researchers have stressed the importance of studying attitudes such as job satisfaction and employee engagement during times of recession, arguing that macroeconomic influences on these attitudes are likely complex and nuanced, and that managerial attention to job attitudes may be particularly important during economic downturns (Van Rooy et al., 2011).

We therefore look to the economics literature for further guidance. A study by Sevak and Schmidt (2011) is particularly relevant to this study. Sevak and Schmidt (2011) examined the relationship between macroeconomic factors and older Americans' expectations about a recession, inflation, and stock prices, as well as respondents' assessments of the chances that they will be working full time beyond age 65. In addition to considering various macroeconomic measures (i.e., the S&P 500 stock index, monthly unemployment, quarterly job gains/losses, monthly retail sales, and housing prices), they considered both levels of and recent changes in macroeconomic conditions. They conclude that level and change can have distinct effects. In this analysis, we use the macroeconomic measures identified by Sevak and Schmidt to capture distinct elements of the broader economy.

2. Employee attitudes

2.1. Job satisfaction

Job satisfaction, the psychological state resulting from the employee's appraisal of his or her job experiences (Locke, 1976), has occupied a central place in research on employee attitudes over the past several decades, in part because it has been empirically linked to the effectiveness of employees and organizations (Harrison, Newman and Roth, 2006). Previous literature has consistently identified relationships between job satisfaction and job performance (Judge et al., 2001) and between job satisfaction and employee health (Faragher, Cass and Cooper, 2005), making a deeper understanding of job satisfaction important not only for the well-being of employees but also for organizational performance.

Job satisfaction comprises both an affective component (i.e., an overall level of positive or negative feeling toward the job) and a cognitive component (i.e., the employee's thoughts and beliefs about the job) (Schleicher, Watt and Greguras, 2004). Existing research suggests that the predictors of job satisfaction fall into two primary categories: the characteristics of the job and workplace environment and the characteristics of the individual worker. A substantial amount of literature, drawing on frameworks such as the Job Characteristics Model (Hackman and Lawler, 1971) and the Demands-Control Model (Karasek and Theorell, 1990), has identified aspects of the job and workplace as critical to levels of job satisfaction. Workers in "better" jobs, such as those with greater skill variety or more control over tasks, tend to have higher job satisfaction. A related body of literature has found that characteristics of workers tend to affect job satisfaction, as well. For example, workers with higher core self-evaluations — the "fundamental assessments that people make about their worthiness, competence, and capabilities" (Judge et al., 2005, p. 257) — tend to have higher job satisfaction.

2.2. Employee engagement

Employee engagement is a psychological state that is characterized by vigor, absorption, and dedication in one's work. It has been viewed as crucial to organizational performance (Gruman and Saks, 2011) because it attempts to tap into the underlying reasons why some employees "go above and beyond" when performing their work, while others do not. When employees are engaged, there are benefits at the individual level, in the form of higher job performance levels and lower intention to leave (Halbesleben and Wheeler, 2008); at the work group level, in the form more positive climates (Salanova, Agut and Peiró, 2005); and at the organizational level, in the form of