

## **IMPACT OF WAGE RECESSION ON EMPLOYEE LOYALTY DURING COVID-19**

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### **ABSTRACT**

Employee loyalty is a complex, multifaceted construct that has been defined through numerous perspectives, including philosophical and psychological. This article, we studied the impact of wage recession on employee loyalty, the same was studied by Linz et al,2013. We decided to study employee loyalty during this pandemic period. Based on this the study objectives are framed to determine the various dimensions of employee loyalty, the impact of wage recession on loyalty and problems faced by employees those who work from home. The study population is college teachers and ITians. In these two sectors adopted a change in their working mode(i.e work from home) and faced wage recession. ITians don't face many issues since it is not new for them but for the teaching community, work from home is an entirely new concept. Teachers try to learn to work in a new platform like google meet, zoom app, cisco Webex meet and give assignments online and conduct exams in virtual mode, leading them to prepare themselves for a changing environment. The work from home created more stress for teachers but for ITians the family intervention and network issues created more stress. Apart from these issues, the employer also reduces the payment from 10% to 50%. Both are the major contributors of employee loyalty. A questionnaire was designed based on the suggestions of HR managers. The data was collected through the virtual mode from 96 professors and 74 ITians in and around Chennai. We measured the key factors which affect employee loyalty like salary, treatment by organisation, career focus, job involvement, job satisfaction, well being and work recognition. The study findings revealed that pay reduction does not affect loyalty much. Lack of communication creates more work stress among the employees. This virtual mode of working increased more working hours and responsibility but poor recognition by employers. Our study results reveal that most of the respondents have moderate loyalty and if the work of employees continues to be unrecognized which may decrease the loyalty in future.

**KEY WORDS:** Employee loyalty, virtual mode,work recognition, wage recession, Work from home

### **INTRODUCTION**

Loyalty Research Center (2002), defined employee loyalty as “employees believe that they have no

regrets for working in their organization and they are considered it as a best choice for them". The salary, bonus and benefits given to the employees will enhance them to work hard and the loyalty will increase to stay in the organization. There is a considerable expense incurred for replacing an employee whether he/she is holding a high position or low position in the organization since the employee loyalty is not easily built up in the organization. Nowadays, Porter & Steers (1982) defined "Loyalty as productivity that exceeds normal expectations". Solomon (1992) defined employee loyalty as "A willingness to remain with the organization". Silvestro, (2002) defined employee loyalty as a measure of the amount of time one works for the company.

Sweetman (2001) suggests that loyal employees "exhibit the kinds of behaviors that make businesses successful—they work hard, stay late, go the extra mile to delight the customer, and recommend the company to their friends as a good place to work." Some studies have defined employee loyalty as a behaviour (Carson, Carson, Birkenmeier, & Toma, 2006; Hoffmann, 2008; Caryl E. Rusbult, Farrell, Rogers, & Mainous, 1988), an attitude (David W. Hart & Thompson, 2007; Leck J.D & Saunders, 1992), a virtue (Anette Schrag, 2001), or a combination of psychological traits and virtues (Mele, 2001; Randels, 2001).

Loyalty is a two way process. If an employer is not loyal to employees, then the thinking goes in the same way that employees think why they should be loyal to the employers. (Goodman, 1995). The perception of the employees regarding the nature of the workplace has been widely increasing; (Boyett with Boyett, 1995). Some aspects of the workplace include, change (more rapid), self-managed teams, organizational structures (flatter), these may help the employees to become loyal.

### **FACTORS AFFECTING EMPLOYEE LOYALTY**

Age, length of service in the organization, payroll, work design, leadership style, job characteristics, treatment of employees, promotion of position, abilities, training, and incentives to the best performing employees are factors affecting employee loyalty.

### **FACTORS CONTRIBUTING EMPLOYEE LOYALTY**

1. Compensation and reward, 2. relationship with co-worker, 3. supervisor and subordinate relationship, 4. job satisfaction, 5. work environment, 6. moral values, 7. employee retention, 8. career development, 9. leadership, 10. feedback system are the factors contributing to employee loyalty.

### **EMPLOYEE LOYALTY Vs. JOB SATISFACTION**

Employee loyalty (Wan, 2012) can be defined as a psychological attachment or commitment to the organization and develops as a result of increased satisfaction. Satisfaction results from a process of internal evaluation, and if an employee's expectation level is met or exceeded, then satisfaction grows (Shweta Rajput et al., 2016). Employee loyalty develops into a generalized emotional attitude towards the organization. In other words, the more satisfied employee is regarding his/ her working environment, the more likely that he or she will develop a sense of commitment towards the organization in general (Read, 2011).

## impact of wage recession on employee loyalty during covid-19

Employee attitudes towards the organization give rise to the behavioral component of loyalty. An employee who has developed an emotional attachment to the organization is more likely to demonstrate loyalty behaviors and work towards the overall goals of the organization, such as improved productivity, greater efficiency, and a high-quality service orientation to customers (Robert J. Vance, 2006, Kabu & Soniya, 2017). Both the attitudinal and behavioral components (Mele,2001; Randels,2001) of employee loyalty can be measured by aggregating four indicators, satisfaction with the manager, deserves employee loyalty, likelihood to continue working at organization and likelihood into a single metric that can be monitored over time using the Satmetrix Systems' Employee Loyalty Index. These indicators provide referrals for organization (Van Knippenberg, 2000). The first two indicators (i.e) satisfaction with the manager and deserves employee loyalty measure the attitudinal component of employee loyalty and other two measure the behavioral component of employee loyalty.

### **EMPLOYEE LOYALTY-COVID-19**

A company showing care and concern for its employees is one of the key reasons to trust any organisation. At the time of uncertainty, employees generally look forward to their employers to lead them more than the government and other organizations. Majority of the employees have trust with their organisation's concern towards their employees in the time of crisis. Currently, COVID-19 is the biggest crisis that the whole world is going through. In this time, any change in trust largely affects loyalty.

As a theory, some factors like wage, working environment, working hours and so on builds loyalty among employees, is perhaps a clear and frequent communication from the company's side (Greer & Payne, 2014). About 90% of employees who are satisfied with the actions taken during the crisis, believed that their employees are communicating well, which further results in significantly higher levels of trust. It is not followed by many companies during a pandemic.

Organizations which fail to keep up with the above-mentioned factors, especially if they fail to recognise work of employees and concern about their employees may put their reputations and trustworthiness at risk. It indirectly affects the employee loyalty.

### **SIGNIFICANCE OF EMPLOYEE LOYALTY DURING COVID-19**

An employee is likely to feel loyal to their workplace if they feel valued and appreciated while they are at work. Ideally, they understand the main vision of the company's goals, and they work cordially to attain goals. Employees will feel like they have a direct impact on the success, and that they can take steps to help or hinder it. To encourage employee loyalty, treat them well whilst they are at work and demonstrate to them that they have a future career with their company.

Loyalty tends to encourage employees to do their best work and perform to their highest of standards; it proves the efficiency in productivity. This can boost the performance of business, which in turn

reaches goals. Employee engagement and loyalty has a positive correlation, lack of engagement can have a negative impact on employee loyalty.

Management should recognise and support employee loyalty as a vital source of service sector. They should encourage loyalty using different methods such as motivating, rewarding, employees should have the opportunity to thrive and contribute their ideas for improving the business. They should also receive an adequate reward for their efforts, as well as bonuses for additional work. Using all mentioned efforts for improving employee loyalty, management would succeed in achieving better company performance.

### **IMPACT OF COVID-19 ON LOYALTY**

Employee loyalty is very important nowadays due to lockdown, employees are having fear about the job insecurity and pay reduction. So, the employee loyalty is diminishing towards the organization in the present situation. Many organizations are trying to find some ways to increase employee loyalty. Most social activities have been closed down and people are now practicing social distancing to avert the spread of coronavirus (COVID-19) (Parmet & Sinha, 2020). This is perhaps the toughest time for most companies to connect with their employees, especially people struck up in rural areas.

Almost every organization today is dealing with a slowdown. Building a connection and maintaining trust with employees seems to be a more difficult task than it has been in the recent past. To continue their business during this hard time, organisations need to work transparently without thinking solely about profit-making. They need to ensure the loyalty of the employee during this pandemic situation.

### **COVID-19 CRISIS ON EMPLOYER**

Employers are under more pressure from shareholders, to perform well and as a result cannot always offer job security, especially during this current economic crisis (Zhou et al., 2020). Despite this, organisations should focus more on employee loyalty and attempt to increase it, because it has a positive effect on attendance, the risk of absence and organisational citizenship behaviour since employee loyalty is routinely not rewarded by organizations (Robinson & Rousseau, 1994; Roehling et al., 2000). Especially in today's job market & pandemic situation,

companies are scratching to find ways to increase loyalty amongst their employees.

During the coronavirus crisis, financial realities such as a decrease in revenue or funding or both may require measures including temporary salary reductions of between 10 to 50%, increased working hours or unpaid furloughs. This made us study the impact of wage recession on loyalty in this pandemic period.

### **METHODOLOGY**

We selected the respondents from faculty of education institutions and employees of the IT sector in and around Chennai. The reason for selecting these two professions have adopted a change in their working mode (i.e. work from home) and also faced wage recession. ITians don't face many issues

## impact of wage recession on employee loyalty during covid-19

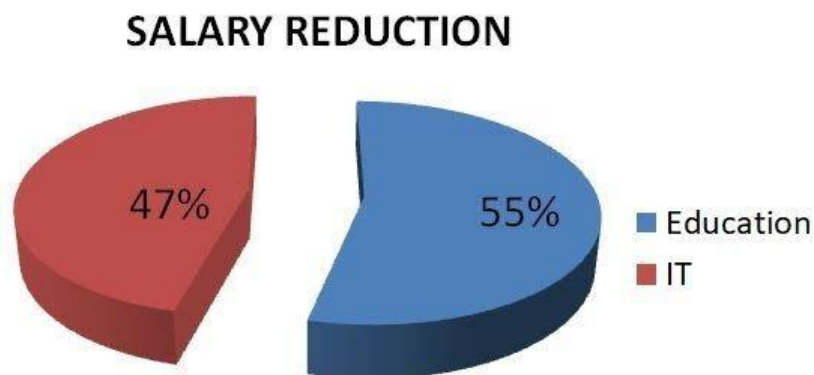
since it is not new for them but for the teaching community, work from home is an entirely new concept. Teachers try to learn to work in a new platform like google meet, zoom app, cisco Webex meet and give assignments online and conduct exams in virtual mode. So for this, they have to prepare themselves for a changing environment. This work from home created more stress for teachers but for ITians the family intervention and network issues created more stress. Apart from these issues the employer also reduces the payment from 10% to 50%. Both are the major contributors to loyalty. Based on this the study objectives are framed to determine the various dimensions of employee loyalty, impact of wage recession on employee loyalty and problems faced by employees in work from home and how it affects the loyalty. A questionnaire was designed based on the suggestions of HR managers. The data was collected through the virtual mode from 96 professors and 74 ITians.

We measured the key factors which affect employee loyalty like salary, treatment by organisation, career focus, job involvement, job satisfaction, well being and work recognition, humanitarian concern, appreciation, mail about the safety on COVID, consider the stress level, employee-oriented rules and regulation during a pandemic, and a platform to enhance their skills. We listed major problems faced by employees like lack of communication with a coworker, investing more time in work leads to less efficiency, termination of benchmarkers, work stress, no promotion and salary hike.

### RESULTS & DISCUSSION

**Salary reduction:** Out of 96 respondents in the education sector, 53 of them experienced salary reduction. But in the IT sector out of 74, only 35 experienced the salary reduction especially who has work experience less than 1 year as of 31, July 2020. Out of 53 teachers, 24 are convinced

with the pay reduction but incase of IT only 7 are convinced.



**Figure 1: Salary reduction**

#### Percentage of reduction:

Out of 96 Teachers, 53 of them faced salary reduction, 17 respondents had 41-50% salary reduction and another 12 faculty had more than 50% of reduction. But in the IT sector out of 37, 34 of them had

10-20% of reduction.

### Dimensions of employee loyalty:

Majority of the teachers and ITians agreed the dimensions of employee loyalty(i.e) the management has humanitarian concern, recognised their work, appreciated the work of their employees, also sent concern mail about the safety on COVID. They considered the stress level, they framed employee-oriented rules and regulation during a pandemic, they provided a platform to enhance their skills also giving training in virtual mode. Management tried to engage their employees efficiently. Respondents said that this pandemic creates more work responsibility and more commitment, also it leads to more work stress. Our study data also supported that 68% of teachers and 64% of ITians agreed with the above dimensions contributing employee loyalty, 23% of teachers and 27% of ITians neither agree nor disagree with the dimension of employee loyalty. Only 9% of both categories disagreed with the above said factors.

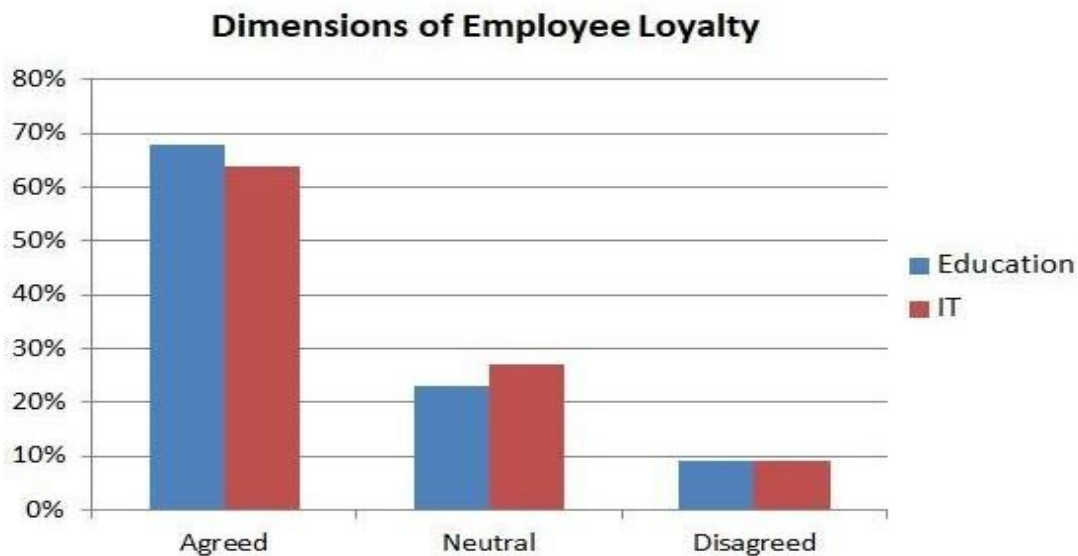


Figure 2: Dimensions of employee loyalty

### Work from home experience--Job satisfaction & Job involvement

When we asked our respondents to rate the work from home experience for the following factor: Job satisfaction, Job involvement, work recognition, the concern of well-being, career focus, training and development, treatment of employees, and leave policies during pandemic.

As per theory, wage and job satisfaction are a highly correlated factor, In a pandemic, many organisations reduced the wages of their employees. Our study reveals that 88 respondents experienced salary recession. We found out whether the changes in wage recession have an impact on job satisfaction and job involvement. The analysis reveals that 47 teachers and 25 ITians are satisfied with their job and the remaining are neither satisfied nor dissatisfied(34 &

## impact of wage recession on employee loyalty during covid-19

39) and only a few (15 & 10) are dissatisfied with their job. For teachers, it may be due to wage recession and working on a new platform might affect their job satisfaction.

A highly satisfied employee shows more job involvement, the study result also supported. 66 teachers and 44 ITians show high involvement in the job. Remaining respondents said that they have moderate(26,23) and less(4,7) job involvement.

### Work recognition vs employee loyalty:

The employees with an engaging workplace environment that provides them with work recognition have a stronger probability to remain loyal to their company. If the employees are appreciated and works are recognised by their employer, ensure the loyalty of the employee and also encourage them to do their best work and perform to their highest potential. Based on the rating of respondents, 35.4% of teachers and 37.8% (Fig:3) of ITians said that their work is recognised by the management, 28.1% of teachers & 32.3% (Fig:4) of ITian said that their work is not recognised. The remaining said neither their work is recognized nor unrecognized. The work recognition during work from home plays a vital role because it is the major contributing factor for job satisfaction and job involvement leads to employee loyalty. (Table 2).

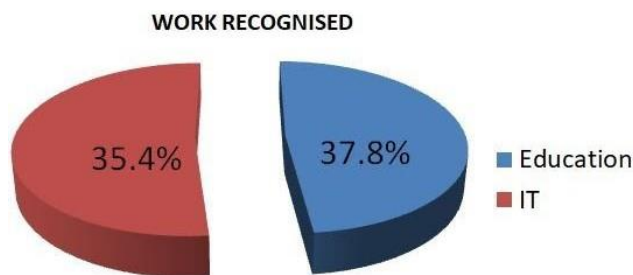


Figure 3: Work recognised

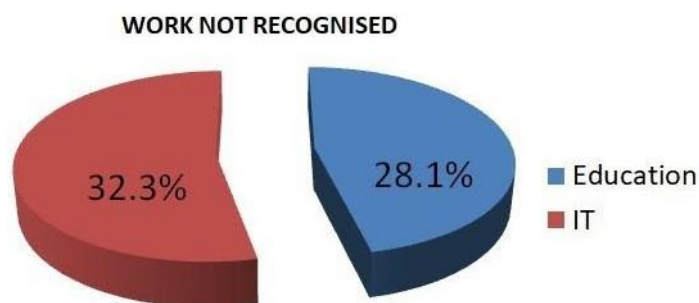
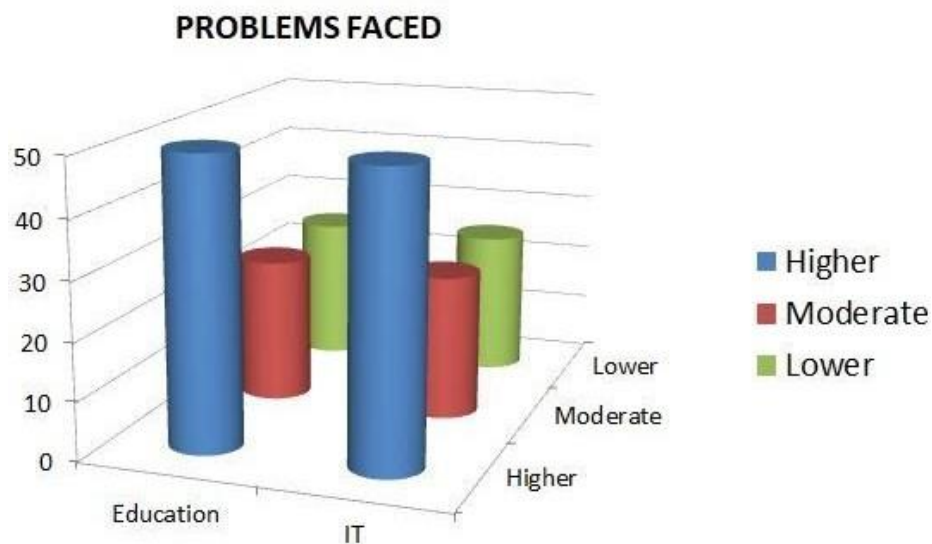


Figure 4: Work not recognised

## **PROBLEMS CONTRIBUTING TO EMPLOYEE LOYALTY**

Job satisfaction, Job involvement & work recognition are the major contributing factors of employee loyalty. This pandemic situation created a lot of problems for the employee due to work from home which also directly affect employee loyalty. In this study, we identified major problems faced by employees during a pandemic are lack of communication with a coworker, investing more time in work leads to less efficiency, termination of benchmarkers, work stress, no promotion & salary hike. Our study reveals that 50% of teachers and ITians face all the above problems, next 25% experienced the problem at a moderate level and the remaining 25% faced only fewer problems (Fig:5). Among these, we found that the major problem faced by our respondents is lack of communication with co-worker and investing more time to work leads to less efficiency.



**Figure: 5 Problems faced**

## **LEVEL OF EMPLOYEE LOYALTY**

Our study reveals that 40.6% of teachers & 24.3% of ITians are highly loyal with their organisation, 45.8% of teachers 63.5% of ITians have moderate loyalty and remaining 13.5% of teachers and 12.2% of ITians have less loyalty with their organisation.

### **Age Vs Loyalty**

**Higher the age, greater the loyalty;** To prove this our first hypothesis is to check whether “there is a significant difference between the age of the respondent and their loyalty “with their employees. .F value is 4.790 which is significant, it proved that there is a difference in the loyalty level based on their age group of the employee. The Duncan table reveals that less than 30 years age group of respondents have less loyalty towards their employers than other age groups of employees(Table 1 & 1A).

When we compared the loyalty level of the education and IT sector both are having the same level of



impact of wage recession on employee loyalty during covid-19

loyalty in this pandemic period towards their employer, their job satisfaction level, job involvement level and work recognition are also the same. To prove this one way ANOVA was used to test the hypothesis, “There is a significant difference between the level of loyalty of employees and their job satisfaction & Job involvement” (Table 2, 2A & 2B). The “F” value for job satisfaction is 8.118 and job involvement is 6.89, both are significant, hence the stated hypothesis is accepted. The post hoc (Duncan method) test results revealed that those who have high loyalty have higher job satisfaction and job involvement.

**Table 1: ANOVA-- Age & Loyalty**

<b>CATEGORY</b>	<b>SUM OF SQUARES</b>	<b>Df</b>	<b>MEAN SQUARE</b>	<b>F</b>	<b>SIG.</b>
Between groups	98.491	2	49.246	4.790	.009
Within groups	1716.856	167	10.281		
Total	1815.347	169			

**Table 1A: Post hoc test-- Age & Loyalty**

<b>C</b>	<b>N</b>	<b>SUBSET FOR ALPHA=0.05</b>	
		<b>1</b>	<b>2</b>
20-30 YRS	95	27.6000	
31-40 YRS	31	28.2258	28.2258
41-50 YRS	44		29.4091
SIG.		.352	.079

**Table 2: Job satisfaction & Job involvement--Loyalty**

<b>Factor</b>	<b>SUM OF SQUARES</b>	<b>df</b>	<b>MEAN SQUARE</b>	<b>F</b>	<b>SIG.</b>
<b>Job Satisfaction</b>	7.443	2	3.722	8.118	.000
<b>Job Involvement</b>	4.828	2	2.414	6.890	.001

**Table 2.A: Post hoc test- Job satisfaction--Loyalty**

Loyalty level	N	SUBSET FOR ALPHA=0.05	
		1	2
1.00	22	2.0000	
2.00	91	2.1648	
3.00	57		2.5614
SIG.		.275	1.000

**Table 2 B: Post hoc test - Job involvement--Loyalty**

Loyalty level	N	SUBSET FOR ALPHA=0.05	
		1	2
<b>1.00</b>	<b>22</b>	<b>2.2727</b>	
<b>2.00</b>	<b>91</b>	<b>2.5275</b>	
<b>3.00</b>	<b>57</b>		<b>2.7895</b>
<b>SIG.</b>		<b>0.54</b>	<b>1.000</b>

## CONCLUSION

In a time of crisis, with the start of free fall of the economy, trimming down of wages, the cancellation of benefits, the compensation schemes and the dismissal of employees, it will cause stress among employees and management, **crises are inevitable**. No individual or organization has got a chance to avoid a crisis. Employees should have the feeling that the organisation wants the best for them, and as a result they will continue to do their best and not look for another job. All firms and organizations are in the same position to handle the employee. However, after the crisis the reputation may be a label of that organization. The workload and responsibility of every employee in work from home may increase automatically. Although it is the responsibility of the organisation to handle effectively and sustain the employee loyalty, sometimes it is not possible to avoid it; because of internal and external environmental stress. We measured the key factors which affect employee loyalty like salary, treatment by organisation, career focus, job involvement, job satisfaction, well being and work recognition. The study findings revealed that pay reduction does not affect loyalty much. Lack of communication creates more work stress among the employees. This virtual mode of working

## impact of wage recession on employee loyalty during covid-19

increased more working hours and responsibility but poor recognition by employers. Our study reveals that, most of the respondents have moderate loyalty and if the work of employees continues to be unrecognised which may decrease the loyalty in future. Employee loyalty is thus above all determined by how the organisation has engaged, recognised and how they are treated psychologically in this pandemic period and the way conveyed to their employee leads to lofty loyalty.

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Dr. Mrs. Satinder Kaur Gujral

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