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Institutions, economies and downsizing: evidence across time and countries

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ABSTRACT

Downsizing is a legitimate yet highly disruptive human resource management practice that organisations can activate when costs need to be cut. We adopt an institutionalist lens to explore how both legislative and economic forces combine to shape organisations' adoption of employee downsizing practices. We conduct multilevel mixed-effects ordered probit regression analyses on our survey data on human resource management practices from 29 countries and four rounds of data collection spanning seventeen years. The findings indicate that variations in downsizing practices can be partly explained by differences in national legal institutions as well as by prevailing economic conditions. Importantly, we also find that constraints imposed by national regulatory institutions may be relaxed during periods of economic crisis. We theorise the interaction of coercive, mimetic and normative isomorphic effects to understand how organisational operating contexts are dynamic, whereby both constraints and opportunities can vary over time.

KEYWORDS

International HRM; HRM practices; downsizing; institutional theory; economic crises

Introduction

Employee downsizing is 'a planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance' (Datta et al., 2010: 282). It is a particularly interesting human resource management (HRM) practice since it creates a crucial avenue toward cost reduction and competitive advantage (Baumol et al., 2003) whilst having a striking effect on those dismissed, their families and even their communities (Dlouhy & Casper, 2021). Cutting, rather

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than maintaining stability or pushing for growth in numbers employed, is arguably the most dramatic HRM practice, since whilst it may enhance firm survival in difficult situations (Djankov et al., 2003), it will almost inevitably put pressure on any feeling of commitment that remaining employees feel – a commitment that is a bedrock of much HRM thinking (Van Rossenberg, Cross & Swart, 2022).

Along with the personal manager-employee relationships involved in many cases, downsizing is a fraught activity that organisations only engage in when they feel they have little choice: it is a strategic mechanism that has become a legitimised norm for addressing the pressures of extreme economic downturns (Johnstone, 2024). Organisations keen to maintain a reputation as a responsible employer are less likely to adopt downsizing as a practice (Pekovic, Wagner, & Vogt, 2022). Nevertheless, given that for most organisations labour is the largest single operating cost (Milkovich et al., 2013), the crunch can come when management sees no other option for cost-cutting. Downsizing therefore remains a common element in the managerial toolkit.

Notwithstanding, two issues have limited our knowledge of the extent and nature of downsizing to date. The first is that much of the extant research evidence has focused on specific times and places. For example, studies have explored the aftermath of the 1997 East Asian economic crisis in Japan (Ahmadjian & Robinson, 2001) and Korea (Alakent & Lee, 2010). Other studies have focused on the periods leading up to the 2007-2009 global financial crisis as experienced by organisations in England (Cook et al., 2016; Johnson & Watt, 2022; Johnstone, 2024), Ireland (Teague & Roche, 2014), Germany (Cascio, 2012) and Spain (Muñoz-Bullón & Sánchez-Bueno, 2014). These studies focus on periods of economic downturn when the impetus for downsizing peaks.

While these studies inform us how economic crises counteract the inhibitory effect of regulatory institutions on downsizing, a lack of comparison with periods of economic stability prevents a full understanding of the scope of the effect of economic crises. Moreover, the idiosyncratic nature of each country's institutions and employment relationships may render these findings less generalisable to other countries. For example, findings from Japan (Ahmadjian & Robinson, 2001) and Korea (Alakent & Lee, 2010) are shaped by the context of lifetime employment norms, which may minimise the role of regulatory institutions in deterring downsizing. Likewise, research on downsizing in Germany will be shaped by the practice of *kurzarbeit*, whereby working hours are reduced and the government subsidizes 60% of the lost hourly wages (Cascio, 2012). Such a practice can make the impact of crises appear muted as levels of employment can remain stable despite fluctuating economic conditions (IMF, 2020).

In response, this study provides a more comprehensive understanding of the impact of economic and institutional forces as constraints or

facilitators of managerial practice by looking simultaneously across multiple countries and varying economic conditions. This is important because our broad sample of organisations from 29 countries not only allows us to study the interrelationships between economic conditions and institutions in contexts where the economic impetus to downsize is especially heightened – as in prior research – but also in contexts where regulatory institutions may exert a stronger influence on downsizing practices.

A second issue restricting our understanding of the extent and nature of downsizing is that, while researchers have theorised that downsizing practices are shaped by economic and institutional forces (Cascio, 2012; Freeman & Erhardt, 2012), few longitudinal empirical data have been available to test this. For example, Goergen et al. (2013) used data from the CRANET survey of organisational HRM practices in 22 countries to explore the issue, but at a single point in time. Our study expands this research by exploring the influence of institutional and economic differences before and after periods of crisis – the global financial crisis and the COVID-19 pandemic – which we might expect to have had a substantial influence on the kind and extent of downsizing. This allows us to add a focus on the role of time in organisational research. As outlined by Johns (2006), time – or the question of 'when' – is one of the fundamental contextual dimensions in organisational behaviour. We incorporate this contextual dimension by considering when institutional constraints may remain unyielding versus when they may weaken. More specifically, we posit that periods of crisis are precisely when organisations may have some leeway to break out of their institutional iron cage. As such, we provide a more comprehensive view of downsizing by looking at how practice varies not only across countries and under different economic conditions but also over time.

In summary, our study examines the interrelationship between institutional and economic contexts in shaping how organisations engage in downsizing practices. In doing so, we contribute to the international human resource management (IHRM) and employee downsizing literatures in three primary ways. First, the study builds theorising around how the coercive effects of legislation can be undermined through normative shifts in response to economic crisis management and mimetic safety-in-numbers actions inside organisations. This argumentation draws from neo-institutional theorising (DiMaggio & Powell, 1983; Gooderham et al., 2019; Meyer & Rowan, 1977) incorporating the important interplay between multiple institutional logics (Thornton, Ocasio & Lounsbury, 2012), specifically economic cycles and employment protection legislation.

Second, in adopting this approach, we expand Goergen, Brewster and Wood's (2013) study of downsizing by incorporating a crucial time dimension to understand better the interaction effect of time on contextual

drivers of managerial practice. Extending beyond extant research that has focused on specific times of crisis in certain countries or regions when downsizing activity peaks, we incorporate comparisons with more stable, non-crisis times to allow an exploration of how the strength of institutional constraints might fluctuate. This allows for a fuller appreciation of the true role of context in organisation-based research (Johns, 2006).

Third, we provide an empirical contribution from a broad range of countries, demonstrating how both institutional and economic forces combine to shape the organisational adoption of downsizing. Our findings have clear implications for practice, including the normative and mimetic forces that arise during times of crisis management and the importance of considering both prevailing economic conditions alongside employment protection demands in deciding whether downsizing is both feasible and desirable.

Institutions and economies

Within the IHRM literature, the importance of accounting for the contexts in which organisations are embedded is clear (Farndale et al., 2023; Fletcher et al., 2020; Gallardo-Gallardo et al., 2020). Indeed, the IHRM literature arose partly in response to the prevailing 'universalist' perspective in HRM, along with its fundamental assumption that there are identifiable 'best HRM practices' that will have the same effects in different contexts and that it is the role of managers to find and implement such practices. As Gerhart (2005:178) highlights 'it seems unlikely that one set of HRM practices will work equally well no matter what the context'. The IHRM literature focuses on a diversity of countries and how differences in institutions (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) including cultural values (Gelfand et al., 2011; Hofstede, 1980; House et al., 2004) shape how organisations operate.

We take an institutionalist approach to studying context by looking at the forces that shape organisations' implementation of employee downsizing practices. Institutions comprise 'regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life' (Scott, 2013: 56). In other words, institutions are enduring social structures that exert isomorphic pressures upon organisations to behave in ways that will provide them with legitimacy, resources, stability and survival prospects (Kostova & Roth, 2002; Meyer & Rowan, 1977). As DiMaggio and Powell (1983) explained, the drive toward isomorphism may be mimetic (organisations copy successful practices of other organisations), coercive (organisations are forced by other entities to adopt practices), or normative (organisations do what is considered appropriate in their given

environment). These isomorphic pressures from the institutional environment explain why organisations—and thus their approaches to HRM—tend to be similar within some contexts and differ across national contexts (Kostova, 1996; Wood, Psychogios, Szamosi & Collings, 2012).

IHRM studies have considered various forms of institutions ranging from those that are more formal, like property rights (North, 1990), national politics (Roe, 2003) and electoral systems (Pagano & Volpin 2005), to the more informal, such as cultural values (Farndale & Sanders, 2017; Gerhart & Fang, 2005). We focus on two particular institutions here—employment protection legislation and economic cycles—that are most pertinent to the mass reduction of employment in an organisation. The inclusion of these two institutional elements simultaneously is particularly important because of their interaction effect: we argue that legislation sets the stage for how feasible it may be to downsize, while economic cycles dictate the necessity of doing so.

Employment protection legislation as an institution

Employment regulations (Botero et al., 2004) are a form of coercive isomorphism (DiMaggio & Powell, 1983). While all aspects of HRM must conform to institutional forces to some degree, certain areas of HRM practices are subject to heavier constraints than others (Farndale et al., 2017). One such aspect is employee dismissal procedures. For organisations to gain legitimacy and avoid legal penalties, dismissal procedures must be aligned with the legislative requirements in their respective countries (Gooderham et al., 2015). As Botero et al. (2004: 1339) note, 'every country in the world has established a complex system of laws and institutions intended to protect the interests of workers'. Accordingly, the degree to which organisations have the freedom to shape their own downsizing practices will depend on the strength of the employment protection legislation in the countries in which these organisations operate (Gooderham et al., 1999).

Based on the notion of coercive isomorphism, we posit that the stronger the extant employment protection legislation, the less extensive organisational downsizing will be. Several studies from across the globe provide initial empirical support for this idea. Budros (1997, 2002) found that, among Fortune 100 organisations, deregulation was likely to be accompanied by downsizing due to increased industry competition – implying that regulation acts as a deterrent against downsizing. Similarly, Redman and Keithley (1998) interviewed CEOs and senior managers from Polish companies and found that the 1990 Polish Employment Act and its 1992 amendment led to increased privatisation, but also reduced unemployment benefits and increased downsizing. Alakent and Lee (2010) found that Korean manufacturing organisations that were

government-supported – and thereby more likely to adhere closely to strict employment protection regulations – were less prone to downsizing compared to those with less government support. In Spain, Muñoz-Bullón and Sánchez-Bueno (2014, p. 123) identified an inverted U-shaped relationship between the cost of severance payments and the likelihood of downsizing, suggesting that, beyond a certain threshold, the coercive financial and reputational costs associated with non-compliance to stringent employment laws outweigh the economic benefits of reducing workforce size. Overall, this adherence to legislative demands can be attributed to coercive pressures to comply with employment laws favouring employment protection.

We acknowledge that isomorphic pressure is not, however, absolute and that organisations have choices. Consequently, approaches to downsizing can vary even within the same institutional environment. This theorising is captured by the concept of institutional logics: 'socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality' (Thornton & Ocasio, 1999: 804). Essentially, organisations have agency through their leaders to handle complex environmental contexts. We return to this point when discussing the ideas behind crisis management, but argue here that despite this agency, because of the coercive nature of employment protection legislation, we would expect these institutions to exert an overall effect on employee downsizing practices. As such, we formulate the following hypothesis:

Hypothesis 1: *Employment protection legislation will be negatively linked to downsizing.*

Downsizing in response to economic cycles

While employment legislation shapes the feasibility of downsizing, macroeconomic conditions significantly influence its prevalence and intensity (Datta et al., 2010). The extant literature shows that declines in market demands (Wagar, 1997), reduced industry outputs (Filatotchev et al., 2000) and overall economic downturns are linked to a greater likelihood of downsizing (Appelbaum et al., 1999; Baumol et al., 2003) and there are indications that the pattern has been repeated in more than one country (Johnstone, 2024). The International Labour Organisation (ILO) estimates that 60 million jobs were lost following the 2008 financial crisis and 100 million jobs were lost during the COVID-19 pandemic (ILO, 2014, 2021).

The relationship between GDP growth and downsizing can be explained through normative isomorphism (DiMaggio & Powell, 1983), which suggests that organisations adopt behaviours that are perceived as legitimate within

their industry and broader economic environment. During periods of GDP growth with positive market conditions, the prevailing institutional norms typically shift towards expansion and stability. These norms discourage downsizing because maintaining or growing the workforce aligns with the industry standards of utilising favourable economic conditions to bolster market position and capitalise on growth opportunities.

Conversely, during economic downturns, the institutional norms shift towards cost-cutting and efficiency, making downsizing a more common (mimetic), more acceptable (based on immediately relevant norms) and often necessary (based on coercive pressures) strategy to preserve organisational survival. Therefore, we expect that positive economic conditions, indicated by growing gross domestic product (GDP), will naturally lead to a decrease in the adoption of downsizing practices as organisations align with the expectations of contraction rather than growth and stability.

Hypothesis 2: *GDP growth will be negatively linked to downsizing.*

The loosening of institutional constraints during periods of crisis

So far, we have focused on the roles of legal institutions and economic cycles, but it is important to consider their interaction. The prevailing view in the IHRM literature that much of the difference in HRM between countries is determined by national institutions (Vaiman & Brewster, 2015) is based on assumptions that institutions themselves tend to be enduring and their isomorphic pressures unyielding. Nevertheless, the literature on de-institutionalisation highlights that certain economic, political or social conditions may allow organisations to break free from institutional constraints (Oliver, 1992).

We focus here on periods of crisis, defined as times when 'a serious threat to the basic structure or the fundamental values and norms of a social system, which, under time pressure and highly uncertain circumstances, necessitates making critical decisions' (Ererdi et al., 2022, p. 2507). Evidence abounds that threats to the structure and deviations from the norm of a social system weaken the legal institutional pressure and allow organisations to downsize. For example, during the financial crisis that began in 2008, countries such as South Korea and Japan, which had traditionally avoided layoffs, instead came to embrace the practice (Cascio, 2012). But what is the mechanism underlying this phenomenon? We argue that there are two main explanations: (1) crisis management and (2) the 'safety-in-numbers' effect.

Crisis management

Crisis management aligns with the normative isomorphism arguments of neo-institutional theory (DiMaggio & Powell, 1983): when conditions

change dramatically, pre-existing norms start to crumble and deviant behaviours begin to create new norms. Crises serve as a critical juncture from which employment practices can be transformed and a 'new deal' for employment can arise (Cappelli, 1998; Johnstone et al., 2019). Support for this reasoning can be found in the idea of punctuated equilibrium (Gersick, 1991), which argues that slow-to-change equilibrium states can be disturbed by a substantial event that creates a new norm that meets the requirements of the moment (Romanelli & Tushman, 1994). Determining that new norm requires addressing institutional complexity, where multiple legitimate rationales (also known as institutional logics) may exist for varied actions to attempt to either maintain or disrupt the status quo (Lewis et al., 2019).

Stated succinctly, when organisations are faced with the challenge of responding to deteriorating external conditions, they are more likely to deviate from the norm to mitigate institutional penalties. In punctuated equilibrium terms, performance pressures result in reorientations during which organisational inertia decreases and competitive or survival vigilance increases (Tushman & Romanelli, 1985). Extant research provides examples. Cook et al. (2016) found that a major UK retailer facing economic recession and worsening labour market conditions adopted a 'low road' HRM strategy that intensified work and increased profits to counter the external pressures. Similarly, Johnson and Watt (2022) found that after financial crises 'repeated cutbacks [in pay, benefits, and staffing] are legitimized through a narrative of continuous improvement' (p76) and that such repeated actions 'lowered workers' resistance to top-down changes' (p86). We also saw examples of organisations adopting a crisis management approach to take advantage of the loosening of regulatory constraints during the onset of the COVID-19 pandemic. Specifically, US organisations were required by the federal WARN Act to provide 60-day advance notice when conducting layoffs (California Department of Industrial Relations (Cal-DIR), 2020). However, many US organisations chose to furlough their workforce—a practice that is exempt from the 60 days' notice—before turning these furloughs into permanent layoffs: appealing to the 'unforeseeable business circumstances' exception of the WARN Act (Prokott & Hathaway, 2020).

Safety-in-numbers

The idea of 'safety-in-numbers' (reflecting mimetic pressures) continues our theorising of crisis management as the creation of new norms justifying the mimetic isomorphic effects that arise in the 'new normal'. Organisations obtain information regarding the costs and benefits of adopting or abandoning practices from other organisations (Ahmadjian & Robinson, 2001; Greve, 1995). Since not everything can be known, this is the driver for management fads and fashions (Benders & van Veen,

2001; Czarniawska, 2005). When very few organisations deviate from the institutional norm, the attention that these deviants receive is magnified and the costs of deviating may be high. However, when many organisations downsize at the same time, the cost of deviating from the norm is shared among these organisations, and it is less likely that a particular organisation will be singled out for criticism and penalty.

Ahmadjian and Robinson (2001) provide a salient example in the case of the Japanese consumer electronics firm *Pioneer*, which tried to force out 35 senior employees. This decision was seen as a deviation from the norm of lifetime employment in large organisations in Japan, and it was followed by negative media coverage as well as a severe backlash from the labour union. This led *Pioneer* to reverse its decision. After several years, however, as press coverage of various downsizing events became common, subsequent downsizing announcements elsewhere came and went without issue. This mimetic 'safety-in-numbers' effect is strong and pervasive. Indeed, during the onset of the COVID-19 pandemic in the USA, the median advanced layoff notice shrank from the federally mandated 60 days to essentially zero (Hernández-Murillo & Krolikowski, 2020). Similarly, we see evidence of copycat layoffs from within the technology industry as giants like Amazon, Google, Meta, Microsoft and Netflix downsized in rapid succession in the early 2020s (De Witte, 2022; Stringer, 2023).

In sum, both the crisis management and safety-in-numbers effects are equifinal. Organisations may have more leeway to deviate from institutional constraints during times of crises as they have both the economic excuses for their decisions to downsize and the safety from hiding behind the masses of organisations that are behaving similarly.

> ***Hypothesis 3:*** *The negative link between employment protection legislation and downsizing practices will be stronger (i.e. more negative) when GDP growth is high, and weaker (i.e. less negative) when GDP growth is low.*

Methods

Data and sample

Our data come from four waves of the CRANET surveys of HRM practices (www.cranet.org): 2004-05, 2009-10, 2015-16 and 2021-22. The CRANET survey is a repeated cross-sectional dataset where countries are tracked across time, but the sampled organisations within each country can change between survey waves to reflect the local economy. Table 1 lists the organisation-level sample sizes from the 29 countries comprising the study data. In total, 21,689 organisational responses are used. During the years where a country's sample size is 0, this indicates that the

Table 1. Organisation-level sample size distribution across countries and years.

Country	2005	2010	2016	2022	Total-Country
1. Australia	259	110	395	64	828
2. Austria	270	203	240	215	928
3. Belgium	230	240	147	58	675
4. Brazil	0	0	354	150	504
5. Croatia	0	0	171	115	286
6. Czech Republic	72	54	0	0	126
7. Denmark	516	362	240	303	1,421
8. Estonia	118	74	83	70	345
9. Finland	293	136	182	120	731
10. France	140	157	158	0	455
11. Germany	347	420	278	384	1,429
12. Greece	180	214	188	195	777
13. Hungary	59	139	273	161	632
14. Iceland	114	138	119	103	474
15. Israel	175	114	119	112	520
16. Italy	117	157	168	0	442
17. Latvia	0	0	67	58	125
18. Lithuania	0	119	145	120	384
19. Netherlands	397	116	0	121	634
20. Norway	303	98	236	159	796
21. Serbia	0	50	160	104	314
22. Slovakia	259	225	267	107	858
23. Slovenia	161	219	218	165	763
24. Spain	158	0	98	193	449
25. Sweden	383	282	367	544	1,576
26. Switzerland	311	99	213	174	797
27. Turkey	171	0	187	83	441
28. UK	1,101	218	296	223	1,838
29. USA	260	1,052	509	320	2,141
Total-Year	6,394	4,996	5,878	4,421	21,689

country did not participate in the CRANET survey. The survey waves of 2009-10 and 2021-22 represent the periods of dislocation caused by the global financial crisis and the COVID-19 pandemic, respectively. In contrast, the waves of 2004-05 and 2015-16 represent non-crisis periods.

The respondents to the CRANET survey are HRM specialists in medium to large organisations (at least 100 employees). Specifically, the survey targets the most senior HRM person from each organisation, who is then tasked with answering questions about HRM practices utilised in their businesses. To ensure the validity of translation when administering surveys in non-English speaking contexts, CRANET researchers employ a pre-tested questionnaire constructed by a multi-national team in English. The English version of the survey is translated into the language (or languages) of the focal country before undergoing back-translation into English and checking for any translation errors (Brislin, 1976; Matsumoto & Van de Vijver, 2010). To obtain the most representative sample of organisations possible, researchers generally used full-population sampling in small countries or industry-based stratified sampling in more populous ones (Ligthart et al., 2022). For more detailed descriptions of the CRANET survey see Brewster et al. (2004) and Parry et al. (2021).

Measures

Downsizing practices

Respondents were asked to report whether they had used any of the listed practices as part of the organisation's workforce management strategy to decrease the numbers in the workforce. These downsizing practices are meaningfully ordered based on the resulting impact on employees' economic and psychological well-being, with lower scores indicating a less stressful impact (Datta et al., 2010; Williams & Adam-Smith, 2006). This rank-ordering mirrors the approach of Goergen et al. (2013) by measuring the downsizing practices employed by organisations as an ordinal variable, coded 0 if the organisation did not implement any downsizing, 1 if the organisation used a recruitment freeze, 2 for voluntary turnover, 3 for early retirement and 4 for forced layoffs. The decision to rank these practices in increasing order of severity is consistent with the employee relations guidelines from the Chartered Institute of Personnel and Development, as outlined in Gennard and Judge (2005).

To explain further the ranking employed, we note that while organisations may be compelled to cut operating costs, implementing forced layoffs can deplete valuable human capital (Nyberg & Ployhart, 2013), impair the remaining workforce's morale (Cascio, 1993), and incite even more turnover after layoffs (Trevor & Nyberg, 2008). From a practical standpoint, organisations may also be required to negotiate with unions before they can begin cutting jobs (Gennard & Judge, 2005). Hence, organisations are incentivised to try 'softer' approaches before laying off workers as a last resort (Cascio & Wynn, 2004).

To this end, previous studies have shown that 'recruitment and hiring freeze' is among the most popular downsizing approaches because such an approach relies on natural attrition and does not threaten existing jobs (Appelbaum et al., 1999; Ryan & Macky, 1998). In contrast, 'voluntary turnover' in the context of downsizing refers to the approach of giving employees a choice to quit (Dolan et al., 2000). We deem this to be more severe than 'recruitment freeze' because the employees still lose their jobs and, in doing so, risk facing the high cost of unemployment (Young, 2012). Nonetheless, 'voluntary turnover' is still a less severe approach than forced layoffs because the voluntary nature of these departures can favour those with good job market potential such as high performers (Trevor, Gerhart & Boudreau, 1997). In some instances, these voluntary turnover cases also have the added benefit of severance pay (Taylor, 2008). Meanwhile, 'early retirement' may appear comparable to 'voluntary turnover' in downsizing severity. Nevertheless, like Goergen et al. (2013), we argue that this approach is more severe because it

disproportionately affects older workers, thereby contributing to the problem of age discrimination (Wood, Wilkinson & Harcourt, 2008). Furthermore, to the extent that 'early retirement' equals 'forced retirement', such an approach can negatively affect the retiree's life satisfaction because older workers may feel that they have become 'role-less' (Dingemans & Henkens, 2014; Feldman, 1994; Richardson & Kilty, 1991). Our adopted downsizing measure places 'forced layoffs' as the most severe because such practice can affect a broad range of employees (those with or without good alternative job prospects; those who are just starting their career or those who are closer to retirement), giving them no choice but to follow management's unilateral decision-making irrespective of their circumstances.

In cases where multiple downsizing practices were implemented, we assigned a rating based on the highest-ranked practice implemented. For instance, if an organisation reported using three practices: voluntary turnover (= 2), early retirement (= 3), and forced layoffs (= 4), then the downsizing practices variable is assigned a value of 4.

Employment protection

The employment protection legislation index is measured at the country level and is taken from the Organisation for Economic Co-operation and Development's (OECD) Employment and Labour Market Statistics database. The overall summary indicator of employment protection legislation strictness ranges from 0-6 and is derived from 24 underlying items covering issues such as dismissal notification procedures, severance pay, the definition of unfair/collective dismissal and unemployment benefits (OECD, 2019). Specifically, we used the 'strictness of employment protection—individual and collective dismissals' indicator, which is designed to 'show the costs to employers and the protection offered to employees' (Myant & Brandhuber, 2016: 1). We chose the indices for both individual and collective dismissals because the 'collective-only' indicator represents the relative cost of dismissing more than one employee compared to the individual dismissal cost, so the OECD (2023) advises that the 'collective-only' index should not be used in isolation. Reflecting the enduring nature of institutions, the employment protection indices for our sampled countries are largely time-invariant—the average within-country standard deviation of this index is 0.11 (on a 0-6 scale), emphasising the within-country isomorphic effects.

GDP growth

Using a dichotomous indicator to distinguish between periods of crisis versus non-crisis is inadvisable because not all countries suffer equally

from the same crisis or suffer from it at the same time. Accordingly, we measured the varying intensity of crisis periods using each country's annual percentage growth in GDP. The GDP growth data were taken from the World Bank's (2023) World Development Indicators (WDI), which compiles various development indicators from officially recognised international sources. The WDI therefore represents the most current and accurate source of global development data. Specifically, we used the GDP growth from the years 2004, 2009, 2015 and 2020 to capture the proper temporal order of crisis and non-crisis periods. In other words, the economic impact of crises directly precedes the CRANET survey of implemented HRM practices.

Control variables

We control for *organisation size*, measured *via* the natural log of the total number of employees, because larger companies may be more likely to adopt downsizing practices due to their scale or market position rather than the impact of employment protection legislation (Budros, 1997; Kang & Shivdasani, 1997). We control for *industry* because employment protection legislation and market conditions (e.g. levels of competition, demand fluctuations, and technological advancements) may vary across industries. This is dummy coded based on the subsections listed in the international *Nomenclature of Economic Activities* classification of organisations. Specifically, we used 14 dummy variables to link the industry subsections from the latest wave of the CRANET data (2021/2022) to the earliest wave's subsections (2004/2005). The list of industry dummies is shown in Table 2. We also controlled for the organisations' *sector* since institutional differences between public, private and other sectors like non-profits can shape both regulations as well as HRM approaches within each sector (Allen & Wood, 2021; Parry et al., 2021). Specifically, we added two dummy variables: one for the '*public sector*' and another for '*other sectors*' (e.g. non-profit). The *private sector* is the omitted category in our dummy coding scheme. In the analytical models, the first industry category (agriculture, hunting, forestry, fishing) and the first sector (private) are the omitted reference categories.

Analytical approach

Since our dataset has organisations nested in countries and the dependent variable is categorically rank-ordered, we conducted multilevel mixed-effects ordered probit regression analyses using Stata 18 'meoprobit' command. We note that we use the term 'mixed-effects', but that this is one of the many names for the same class of models. Other names

include hierarchical linear models [HLM] and random coefficient models (McNeish & Kelley, 2019). Such an analytical approach ensures that the standard errors are appropriately adjusted for clustering (Lin & Breslow, 1996). Following conventional practice (Bliese, 2022; Bryk & Raudenbush, 1992), the hypotheses were tested across 6 models: 1 null model with only country random intercept followed by 5 models with the focal predictors. Our models follow this equation:

$$Y^{\star}_{ij} = X_{ij} + I_{ij} + S_{ij} + u_{0j} + r_{ij}$$

where $Y^{\star}_{ij}$ is an unobserved latent response on downsizing practices implemented by organisation *I* in country *j*. From this, the observed ordinal responses Y_{ij} are generated such that:

$$\begin{aligned}
Y_{ij} &= \text{'forced layoffs'}\left(=4\right), \text{if } \mu_4 < Y^{*}_{ij} \\
Y_{ij} &= \text{'early retirement'}\left(=3\right), \text{if } \mu_3 < Y^{*}_{ij} \le \mu_4 \\
Y_{ij} &= \text{'voluntary turnover'}\left(=2\right), \text{if } \mu_2 < Y^{*}_{ij} \le \mu_3 \\
Y_{ij} &= \text{'recruitment freeze'}\left(=1\right), \text{if } \mu_1 < Y^{*}_{ij} \le \mu_2 \\
Y_{ij} &= \text{'no downsizing'}\left(=0\right), \text{if } Y^{*}_{ij} \le \mu_1
\end{aligned}$$

Here, μ_1-μ_4 are the outcome probability threshold parameters. X_{ij} represents the main predictors: employment protection (country-level), GDP growth (country-level), and the control variable organisation size. I_{ij} represents the set of industry dummy variables and S_{ij} is the set of sector dummies. u_{0j} and r_{ij} are the between-country and within-country error terms, respectively.

Table 2. Industry distribution of sampled organisations.

Industry	N	% Total
1. Agriculture, Hunting, Forestry, Fishing	4,501	23.18
2. Energy and water	1,967	10.13
3. Chemical products; non-energy minerals extraction	640	3.3
4. Metal, mechanical, and electrical manufacturing	1,818	9.36
5. Other manufacturing (e.g. food, drink, tobacco, textiles, clothing, printing, processing of rubber and plastics)	1,348	6.94
6. Building and civil engineering	540	2.78
7. Retail and distribution; hotels; catering; repairs	1,238	6.37
8. Transport & Communication	1,138	5.86
9. Banking; finance; insurance; legal; other business services	1,064	5.48
10. Health services	868	4.47
11. Other services	539	2.78
12. Education	648	3.34
13. Public Administration	1,310	6.75
14. Other industries	1,801	9.27

Note. The total sample size is lower than that reported in Table 1 due to missing data.

Our models covered data from four survey waves. Although we considered the effect of time through the changing economic conditions as measured by GDP growth, we did not explicitly control away the effect of time. This is because the country-level predictors—employment protection and GDP growth—do not vary within country-year observations. Thus, we did not include year fixed-effects in our models as such an approach removes the effect of time-invariant parameters (Bell & Jones, 2015; Wooldridge, 2010). For model comparisons, McFadden pseudo-R^2 values were obtained by comparing the log-likelihood of the focal model to the null model (Xu, 2003).

Results

Table 3 shows the summary statistics and correlations of the variables. Of note is the strongly negative correlation ($r = -0.48$) between downsizing practices and GDP growth. This negative relationship makes sense, given that we can consider the ordinal downsizing measure as reflecting the extent of organisations' downsizing practices. When the economy is strong, organisations have little need to downsize. The same conclusion is corroborated in Figure 1. When organisations were still reeling from the impacts of the recession that began in 2008 and the COVID-19 pandemic, virtually no organisation in 2010 and only 8% of organisations in 2022 reported no downsizing. Likewise, the most extreme approach of forced layoffs is far more frequently implemented during these two crisis periods of 2010 and 2022 compared to the non-crisis periods of 2005 and 2016.

Table 4 contains the results of the hypothesis tests. These models do not have the intercept terms because they are absorbed into the probability thresholds $\mu_{1\text{-}4}$. First, we tested a null model with only the country-level random intercept. The result is not shown in Table 4 since this null model contains no predictor. The resulting ICC is 0.08, meaning that approximately 8% of the variation in organisations' downsizing practices is a function of the country in which the organisations are found (Bliese, 2000). The statistically significant likelihood ratio test also indicates that there is sufficient between-country variation to warrant the use of mixed-effect models over the standard single-level ordered probit regression.

Across all models, we found that organisation size is not a statistically significant predictor of downsizing practices once industry and sector characteristics have been accounted for. We also found that compared to the private sector, the public and non-profit/mixed sectors are significantly less likely to adopt downsizing practices in general. This is in line with previous findings (Datta et al., 2010).

Hypothesis 1 predicts that employment protection will be negatively linked to downsizing, such that downsizing practices will be less probable among organisations operating in countries with stronger employment protection legislation. Model 2 shows that the employment protection coefficient is not statistically significant ($b = -0.09$, $SE = 0.05$, $p = 0.055$). Hypothesis 2 predicts that GDP growth will be negatively linked to downsizing such that downsizing practices will be less probable among organisations operating in countries with higher GDP growth. Model 3 shows that the GDP growth coefficient is negative and statistically significant ($b = -0.12$, $SE = 0.00$, $p < 0.001$). Model 4 contains both employment protection and GDP growth predictors. The main effects of these two variables are negative and statistically significant, supporting Hypotheses 1 and 2.

The employment protection legislation effect more than doubles in size once GDP growth is controlled for ($b = -0.22$, $SE = 0.06$, $p < 0.001$). This suggests that the effects of employment protection legislation and economic impact operate independently from one another, and the effect of employment protection legislation may be obfuscated when researchers do not control for economic conditions in their models. Hypothesis 3 predicts a negative interaction between employment protection and GDP growth such that the effect of employment protection legislation on downsizing practices will be stronger (i.e. more negative) at higher levels of GDP growth. Model 5 shows that the interaction between employment protection and GDP growth is negative and statistically significant ($b = -0.03$, $SE = 0.00$, $p < 0.001$). Thus, Hypothesis 3 is supported.

Unlike with ordinary least squares regression, the raw probit regression coefficients lack naturally meaningful interpretation. The marginal effects of employment protection on downsizing practices across different levels of GDP growth are instead shown in Table 5. We can see that, in countries with high GDP growth, every 1 unit increase in the employment protection legislation index is associated with an 8.61% increase in the probability of an organisation conducting no downsizing compared to a 2.07% increase when the GDP growth is low—a 415% relative difference. On the flip side, a 1 unit increase in the employment protection legislation index is associated with a 9.08% decrease in the probability of an organisation conducting forced layoffs when the GDP growth is high and a 3.27% decrease when the GDP growth is low—a 278% relative difference.

Discussion

We add to the IHRM and employee downsizing literatures by integrating institutional and economic perspectives to show how these two factors

Table 3. Summary statistics and correlations.

	Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Downsizing	2.56	1.75	–																			
2	Employment Protection	2.93	0.72	0.01	–																		
3	GDP Growth	−0.23	4.33	−0.48	0.00	–																	
4	Organisation Size	6.26	1.47	0.01	−0.04	−0.02	–																
5	Industry 1	0.23	0.42	−0.33	0.05	0.43	−0.06	–															
6	Industry 2	0.10	0.30	−0.23	−0.03	0.18	0.06	−0.18	–														
7	Industry 3	0.03	0.18	0.00	0.05	−0.01	0.02	−0.10	−0.06	–													
8	Industry 4	0.09	0.29	0.09	0.06	−0.08	0.01	−0.18	−0.11	−0.06	–												
9	Industry 5	0.07	0.25	0.11	0.04	−0.12	−0.01	−0.15	−0.09	−0.05	−0.09	–											
10	Industry 6	0.03	0.16	0.07	0.00	−0.07	−0.03	−0.09	−0.06	−0.03	−0.05	−0.05	–										
11	Industry 7	0.06	0.24	0.09	0.01	−0.12	0.01	−0.14	−0.09	−0.05	−0.08	−0.07	−0.04	–									
12	Industry 8	0.06	0.23	0.08	0.00	−0.09	0.02	−0.14	−0.08	−0.05	−0.08	−0.07	−0.04	−0.07	–								
13	Industry 9	0.05	0.23	0.10	0.04	−0.10	0.03	−0.13	−0.08	−0.04	−0.08	−0.07	−0.04	−0.06	−0.06	–							
14	Industry 10	0.04	0.21	0.05	0.00	−0.08	0.03	−0.12	−0.07	−0.04	−0.07	−0.06	−0.04	−0.06	−0.05	−0.05	–						
15	Industry 11	0.03	0.16	0.07	0.00	−0.09	−0.06	−0.09	−0.06	−0.03	−0.05	−0.05	−0.03	−0.04	−0.04	−0.04	−0.04	–					
16	Industry 12	0.03	0.18	0.07	−0.09	−0.07	−0.01	−0.10	−0.06	−0.03	−0.06	−0.05	−0.03	−0.05	−0.05	−0.04	−0.04	−0.03	–				
17	Industry 13	0.07	0.25	0.07	−0.05	−0.10	0.04	−0.15	−0.09	−0.05	−0.09	−0.07	−0.05	−0.07	−0.07	−0.06	−0.06	−0.05	−0.05	–			
18	Industry 14	0.09	0.29	0.11	−0.09	−0.10	−0.05	−0.18	−0.11	−0.06	−0.10	−0.09	−0.05	−0.08	−0.08	−0.08	−0.07	−0.05	−0.06	−0.09	–		
19	Private Sector	0.69	0.46	0.08	0.12	−0.01	−0.09	0.35	−0.41	−0.04	0.08	0.14	0.09	0.14	0.08	0.09	−0.17	0.00	−0.20	−0.39	0.01	–	
20	Public Sector	0.23	0.42	−0.09	−0.10	0.03	0.10	−0.28	0.50	−0.08	−0.15	−0.12	−0.07	−0.12	−0.07	−0.08	0.06	−0.03	0.15	0.45	−0.05	−0.80	–
21	Other Sectors	0.09	0.28	0.00	−0.04	−0.03	0.00	−0.16	−0.07	0.18	0.09	−0.05	−0.04	−0.06	−0.02	−0.02	0.18	0.04	0.11	−0.03	0.05	−0.46	−0.17

Notes. Employment Protection and GDP Growth are country-level variables. For full names of the industry dummies, please refer to Table 2. Sample size ranges from 19,473 to 21,689 depending on the available data for each variable. All correlation coefficients >|0.02| are statistically significant at $p < 0.05$ level.

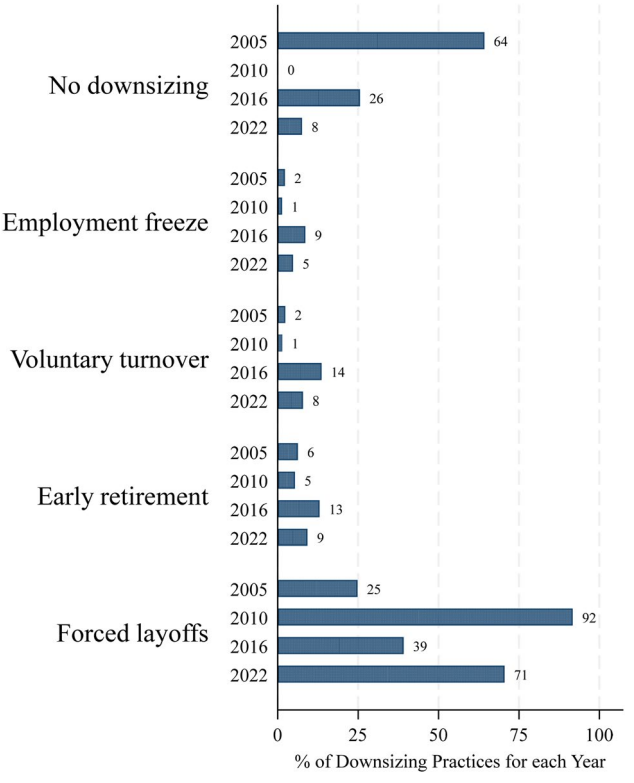

Figure 1. Distribution of downsizing practices over time.

jointly and over time can either constrain or facilitate organisations' downsizing approaches. More specifically, we consider how the extent of national-level employment protection legislation may affect downsizing practices in general. We argue that, during periods of crisis, organisations may deviate from the norm and implement more extensive downsizing procedures when the pressure for cost-cutting and survival is high. Analysing data from 29 countries over four data collection rounds that span seventeen years, we capture the dynamics of how regulatory institutions, which generally remain largely constant over time, exert stronger or weaker forces upon organisations depending on the prevailing economic conditions.

We found support for all three hypotheses, confirming that downsizing is less probable among organisations in countries where employment protection legislation is strong and where GDP growth is high, as we might expect. The study also confirmed an interaction effect between these two contextual factors, whereby downsizing is least probable in countries with both strong employment protection legislation and high GDP growth. Altogether, these findings offer a time-based comparative view of downsizing across national institutions and provide further insights into the boundary conditions of institutional forces.

Table 4. Mixed-effects probit models predicting downsizing practices.

	Model 1	Model 2	Model 3	Model 4	Model 5
Industry Dummies					
Energy & water	0.34***	0.33***	0.14**	0.13**	0.11*
	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Chemical, mineral extraction	0.92***	0.92***	0.54***	0.53***	0.52***
	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)
Metal, mech., elec. manufacturing	1.13***	1.12***	0.65***	0.63***	0.62***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Other manufacturing	1.27***	1.26***	0.71***	0.70***	0.69***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Building & civil engineering	1.27***	1.27***	0.72***	0.70***	0.68***
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Retail, hotels, catering	1.22***	1.21***	0.66***	0.64***	0.64***
	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Transport & communication	1.21***	1.20***	0.67***	0.65***	0.65***
	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Finance & business services	1.31***	1.31***	0.75***	0.73***	0.72***
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Health services	1.32***	1.32***	0.72***	0.70***	0.69***
	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)
Other services	1.46***	1.45***	0.81***	0.79***	0.78***
	(0.06)	(0.06)	(0.07)	(0.07)	(0.07)
Education	1.61***	1.60***	0.96***	0.93***	0.94***
	(0.06)	(0.06)	(0.07)	(0.07)	(0.07)
Public administration	1.44***	1.43***	0.80***	0.78***	0.78***
	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)
Other industry	1.34***	1.34***	0.81***	0.79***	0.79***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Sector Dummies					
Public sector	−0.53***	−0.53***	−0.44***	−0.43***	−0.43***
	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
Other sectors	−0.51***	−0.51***	−0.36***	−0.36***	−0.36***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Focal Predictors					
Organisation size	0.01	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Employment Protection		−0.09		−0.22***	−0.19**
		(0.05)		(0.06)	(0.06)
GDP Growth			−0.12***	−0.12***	−0.04***
			(0.00)	(0.00)	(0.01)
Employment Protection × GDP Growth					−0.03***
					(0.00)
Probability thresholds					
μ_1	0.09	−0.20	−0.34***	−1.01***	−0.93***
	(0.06)	(0.16)	(0.07)	(0.21)	(0.20)
μ_2	0.25***	−0.04	−0.16*	−0.84***	−0.75***
	(0.06)	(0.16)	(0.07)	(0.21)	(0.20)
μ_3	0.46***	0.17	0.06	−0.62**	−0.53**
	(0.06)	(0.16)	(0.07)	(0.20)	(0.20)
μ_4	0.72***	0.43**	0.35***	−0.33	−0.24
	(0.06)	(0.16)	(0.07)	(0.20)	(0.20)
Random Intercept (Country)	0.06***	0.06***	0.08***	0.11**	0.09**
	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)
Log Likelihood	−19469.82	−19467.86	−18615.17	−18607.54	−18584.67
McFadden pseudo-R^2	0.19	0.20	0.23	0.23	0.23

Note: $N = 17{,}749$ for all models. Employment Protection and GDP Growth are country-level variables. Standard error in parentheses. "Agriculture, Hunting, Forestry, Fishing" industry and "private" sector dummies are the two omitted reference categories.

*$p < 0.05$.
**$p < 0.01$.
***$p < 0.001$.

Table 5. Average marginal effects of the employment protection index on the predicted probability of various downsizing practices across levels of GDP growth.

Downsizing Practices	GDP Growth	*B*	SE	CI Low	CI High
No downsizing	High	8.61***	1.94	4.82	12.41
	Moderate	6.74***	1.82	3.18	10.30
	Low	2.07	1.31	−0.50	4.64
Recruitment freeze	High	0.43***	0.11	0.22	0.64
	Moderate	0.52***	0.14	0.25	0.79
	Low	0.34	0.21	−0.07	0.75
Voluntary turnover	High	0.25*	0.11	0.04	0.46
	Moderate	0.46**	0.13	0.20	0.72
	Low	0.42	0.26	−0.09	0.93
Early retirement	High	−0.21	0.13	−0.47	0.04
	Moderate	0.15	0.11	−0.06	0.36
	Low	0.44	0.27	−0.09	0.98
Forced layoffs	High	−9.08***	2.02	−13.04	−5.12
	Moderate	−7.87***	2.08	−11.94	−3.79
	Low	−3.27	2.04	−7.28	0.74

Notes: $N = 17{,}749$. The effect size is a percentage point. The confidence interval (CI) is at the 95% level. High, Moderate, and Low GDP Growths refer to the 75th, 50th, and 25th percentiles of the sample, respectively. Marginal effects of the organisation size control, industry dummies, and sector dummies are omitted for brevity's sake.

Implications for theory

This research contributes to extant literature in three primary ways. First, by combining coercive (through employment protection legislation), normative (through crisis management), and mimetic (through safety-in-numbers thinking) isomorphism argumentation, we were able to uncover the interaction of multiple institutional pressures facing organisations (DiMaggio & Powell, 1983). The effects of legislative limitations on downsizing and of economic pressures have been studied before; however, adopting a multiple institutional logics lens (Thornton, Ocasio & Lounsbury, 2012), we were able to conduct a novel exploration of their interaction across economic cycles. Effectively, we found evidence of how an organisation's search for legitimacy and/or survival can result in the exploration of different rationales regarding how feasible and desirable it is to either continue or change the status quo (Lewis et al., 2019).

We theorised that the interaction between the mimetic and normative isomorphic pressures in times of economic pressure combine to undermine the coercive effects of legislation. Building on prior studies by Ahmadjian and Robinson (2001), Cook et al. (2016) and Johnson and Watt (2022), we further theorise that by acting upon the combination of safety-in-numbers and crisis management to address pressing needs, organisations may take bold steps that they would otherwise be unwilling to take when feeling the weight of coercion alone. Future research should explore further how other organisational HRM phenomena as regulated as downsizing practices, such as compensation and benefits or contract types (Farndale et al., 2017), for example, might, during times of crisis, give rise to the 'coercive override' pattern witnessed here.

Second, we have added to the work of Goergen et al. (2013) by not only incorporating a broader sample of countries but also theorising and incorporating the dimension of time. Time as a context has been understudied (Johns, 2017) yet, as we have argued, is a critical factor in helping to explain the adoption of managerial practices. We demonstrate how certain periods, particularly crisis periods (Cascio, 2012), can cause institutions to weaken, or at least to be considered less as constraining factors by organisations. This supports the theorising of macroeconomic studies of downsizing (Datta et al., 2010), demonstrating the clear relevance of context for organisation-level research. Importantly, by incorporating both crisis and non-crisis economic cycles in our study, this highlighted further the impact of economic conditions. Our findings suggest two primary ideas for future research: (1) to encourage scholars to at least control for economic conditions when exploring managerial practices, and (2) to explore how managerial agency (Oliver, 1992) might be associated with the observed de-institutionalisation and how this relates to the notions of crisis management and safety-in-numbers.

Third, the study provides empirical evidence of how, during and outside periods of crisis, institutional and economic forces in an organisation's context shape downsizing practices—across a range of countries and with a time-specific component that has been lacking hitherto. This complements the more specific country and time studies in the field (Ahmadjian & Robinson, 2001; Alakent & Lee, 2010; Cascio, 2012; Cook et al., 2016; Johnson & Watt, 2022; Johnstone, 2024; Muñoz-Bullón & Sánchez-Bueno, 2014; Teague & Roche, 2014). It also provides a more in-depth look at one aspect of an organisation's context – employment protection legislation – allowing a more nuanced exploration of the institutional context. Overall, our argument is not that a lack of legislation and/or a downturn in the economy directly cause more downsizing, but that these elements of an organisation's context create a backdrop against which organisational downsizing occurs.

Overall, the study provides valuable evidence of the importance of theorising context in organisation-based research questions (Johns, 2006). We assert that it is unlikely that we will ever fully understand why HRM practices are adopted unless we continue to explore more deeply the relevant contextual constraints and facilitators.

Implications for practice

Downsizing is considered an essential tool for organisations needing to cut costs and although not always management's first choice because of

its potential negative impact on individuals and their families, future relationships and organisational reputation, it can be a necessary action when economic conditions dictate. We uncovered how relevant it is for management to consider the combination of economic conditions and employment legislation in making downsizing decisions. This study further uncovers patterns of behaviour across organisations, demonstrating how organisations can manage crises by following others as norms in the operating environment change, or as competitors adopt appealing alternative management practices. Going with the flow or copying others might save organisations embarrassment and costly legal repercussions, although going against such trends might bring substantial internal and external reputational benefits.

As organisations consider their options when an economic downturn hits, they must consider employment protection legislation. Economic and legislative aspects of the operating context operate independently but organisations would be ill-advised to consider either exclusively. As the study demonstrates, the stronger the employment protection legislation, the greater the chance of avoiding downsizing and the lower the probability of forced layoffs. Similarly, higher GDP increases the predominance of not downsizing and decreases even further the probability of enforced layoffs.

Limitations and directions for future research

Despite the strength of the data and the analytical approach, the current study has certain empirical limitations. First, the evidence gathered was from repeated cross-sectional rather than panel data (i.e. the sampled organisations may change between survey waves). The changing composition of organisations in the sample for each data collection round means the survey is more representative of the organisational population at any specific point in time, but that we are unable to use organisation-fixed-effects to account for time-invariant omitted variables and provide stronger support for causal claims.

Second, while we have accounted for the changing economic conditions through the GDP growth measure, other time-varying omitted variables could still bias the estimates of our higher-level predictor variables (Chamberlain, 1978). Kim and Frees (2006) showed that omitted effects at the lower level can cause more severe bias than at higher levels and, since we control for the organisation's industry, sector, size and country in our models, we believe that the biasing effects of time-varying omitted variables should be substantially lessened.

Third, while the CRANET researchers attempt to obtain representative samples of organisations in each country, it is possible that the sampled organisations do not perfectly represent the underlying population.

Nevertheless, given the scale of the undertaking, it is unlikely that future research could fully address this reality of cross-national research (Parry et al., 2021).

Fourth, the OECD's employment protection legislation index is a proxy indicator of employees' protection because the index's creation necessarily involves the simplification of some and the omission of other information. While we have no reason to believe that the index is asymmetrically imperfect, we still acknowledge that the index's underlying quality is reflective of individual countries' data collection and reporting efforts. Assuming that the index deviates from the actual strength of employment protection legislation, readers are cautioned that our estimated effect sizes may also deviate accordingly.

Fifth, one could reasonably expect that downsizing would be much less likely in a tight labour market given worker shortages, thereby making labour market conditions a principal antecedent of downsizing. While we believe that our GDP measure generally reflects the state of the labour market (Okun, 1963), we must acknowledge that GDP can capture certain facets, but not the labour market in its entirety.

Looking to future research, our framework considers the interrelation between regulatory and economic factors at the macro level—two principal institutions that shape organisations' downsizing practices. Nonetheless, other institutional constraints may also influence this relationship – such as trade union rights and fiscal policies. Future research might build upon this study by looking beyond and studying other forms of institutions. For example, one could take a political or corporate governance approach where the primary concern lies in the rights of the property owners vis-à-vis the workers (Roe, 2003). In contexts with stronger employee rights, the general theory predicts that there will be stronger resistance to deregulation regardless of actual economic or organisational performance outcomes (Bebchuk & Roe, 1999).

Another promising avenue lies in exploring the interplay between country-level institutional factors and organisation-level characteristics in shaping downsizing decisions. For example, ownership type may be an important predictor in that institutional investor involvement would be linked to the use of more extensive downsizing approaches, because these institutional investors are preoccupied with shareholder value maximisation strategies and the realisation of short-term profits (Goyer et al., 2016). In the same vein, the pressures exerted by institutional forces can differ between the public and private sectors. Such differences can give rise to variations in HRM practices across sectors (Allen et al., 2017). We accounted for the differences between private versus public and non-profit/mixed sectors in our analytical models, and we also conducted supplemental analyses by looking separately at private and public organisations

(full details available from the authors). While we found that in general the latter adopt downsizing practices less than the former, the patterns of effect sizes are consistent with our hypotheses across both subsamples. Ultimately, we believe that there is room for more detailed syntheses of organisation-level characteristics such as age, reputation, wages and ownership type with the role of national and sectoral institutions.

Finally, we acknowledge that our study was set at the macro level of legislative and economic environments. We suggest three directions for future research that might complement our adopted approach. The first is to consider the interaction between organization-level determinants of downsizing and the macro environment. For example, extant research encompasses important factors such as firm performance, organizational reputation, governance structure, business strategy, HRM systems and labour relations (Cascio & Wynn, 2004; Dlouhy & Casper, 2021; Gandolfi & Hansson, 2011), which when combined with the macro context could reveal a more nuanced understanding of downsizing adoption. Second, although we have mentioned the role of agency (Oliver, 1992) in understanding why organisational leaders adopt the practices they do, our study did not explore this empirically. Future research might explicitly include an investigation of how leaders balance their decision-making to incorporate macro-level conditions. Third, our broad macro-environment approach means that in-depth analysis at the country level has not been possible, but it would be interesting in future research to explore individual countries, or regional clusters of countries, in greater detail to develop a more detailed picture of how external contexts affect downsizing activities.

Conclusions

Differences in HRM, especially concerning organisations' downsizing approaches, can be explained to a considerable extent by variations in the respective national institutions and economies. Under non-crisis circumstances, management may lack the freedom to downsize according to immediate legislative requirements but find that, in crises, organisations are freer to deviate from the norm. At that point, they may become part of a trend as they implement practices that counter established regulations and thus create a new norm. To understand the context of HRM, we conclude that future research should take into consideration both geographical and temporal variation in institutions.

Declaration of conflicting interests

The authors declare that they have no conflicts of interest.

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Data availability statement

The authors will provide a dataset that includes only the variables and cases used in the analysis in the manuscript for the purpose of reanalysis by scholars who can document there is a case for reanalysis.

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