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ORIGINAL ARTICLE

Navigating uncertainty: Employee participation dynamics in times of crisis

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Abstract

The flow of information continues to expand exponentially while, at the same time, decision-making becomes more complex. Employees, organizations, and societies face an increasingly hard challenge in identifying and utilizing information effectively. In the context of a crisis, the need for timely and correct information increases even more to support management decisions. Communication channels such as meetings and staff involvement committees (voluntary or mandatory) are crucial for efficient knowledge flows between employees, management, and within divisions. However, less is known about their pattern of creation at different stages of a crisis. This empirical study investigates the relevance of the Financial Crisis for the introduction and dissolution of staff involvement committees. Using the German IAB Establishment Panel, we use a conditional difference-in-differences framework and provide empirical evidence of whether employers initiated or abolished staff involvement committees in different stages of the recession. Our findings reveal that negatively affected establishments are more likely to introduce communication channels, especially during the crisis.

JEL CLASSIFICATION

J50, M54, D80

1 | INTRODUCTION

The Global Financial Crisis seriously impacted organizations, employees, and economies. Equity markets dropped by about $29 trillion (Bartram & Bodnar, 2009), and scholars and professionals regard this crisis as the most severe event since the Great Depression of the 1930s (Mishkin, 2011). In economic downturns, organizations tend to apply countermeasures as a response strategy and to cope with adverse market conditions. The exploration of new markets, employment adjustments such as downsizing (Muñoz-Bullón & Sánchez-Bueno, 2014) or the development of new products (Zagelmeyer et al., 2012) are just a few examples in this regard. Common measures, for example, in Germany are short-time work arrangements and working time accounts (Johnstone et al., 2019).

In this study, we analyze crisis response mechanisms of organizations. In all areas of business, such as management, consulting, and finance, negative impacts are usually rooted in market externalities, such as asymmetric information between employers and employees, leading to inefficient outcomes (Giebel & Kraft, 2020). Moreover, in such scenarios, previous studies have shown that an unexpected event results in increased uncertainty and that organizations can even exacerbate the impact of an economic downturn by relying on poor communication (Kim, 2018). We draw on the collective voice framework (e.g., Freeman & Lazear, 1995; Freeman & Medoff, 1979) and explicitly focus on the possibilities that emerge from improving internal communication through formal and informal employee voice committees that provide room for dialogue and collective action (e.g., Jäger et al., 2022a). Institutionalized industrial relations committees on the shop floor, such as works councils, could easily aggregate, and voice the preferences of the workforce, leading to reduced information asymmetries and more cohesion (e.g., Lammers et al., 2023). However, not only institutionalized but also management-implemented more flexible committees such as weekly meetings, round table conferences, or employee spokespersons are essential to collect and relay information from the shop floor. They also distribute knowledge between organizational divisions, thus resulting in reduced asymmetric information.

In this setting, this paper primarily aims to deepen the understanding of whether establishments—as the smallest business unit—tend to initiate or abolish internal communication committees (ICC), such as works councils or voluntary staff councils that enable and foster knowledge flows in the Global Financial Crisis and the period afterward. Drawing from the internal crisis communication literature (Heide & Simonsson, 2021; Mazzei & Ravazzani, 2011), this paper contributes to the knowledge of crisis countermeasures on the so far under-explored aspect of ICC that are first, voluntarily provided by the management and second, initialized by the workforce (e.g., works councils) at different stages of the Global Financial Crisis. Studies so far mainly explore the effects of external crisis communication with stakeholders to protect or repair the organization's reputation, for example, by avoiding negative media coverage (Coombs, 2007; Heide & Simonsson, 2020).[1] However, empirical evidence on staff involvement committees that improve internal communication to enhance knowledge flows at the precrisis, crisis, and postcrisis stages is quite absent (Heide & Simonsson, 2021).

To test whether employers initiate and abolish shop floor communication committees during the Global Financial Crisis, we use the IAB Establishment Panel provided by the Institute of Employment Research in Nuremberg, Germany. The panel provides comprehensive establishment-level information on a broad set of structural and workforce characteristics. The sample we draw from this dataset covers the years 2004–18 and the distribution of employer-led committees among German establishments. In addition, the IAB panel provides detailed

information on whether establishments have been positively or negatively affected by the Global Financial Crisis. Besides including a comprehensive set of control variables, the long panel dimension allows us to control for establishment-specific (usually unobservable) characteristics such as management quality within a fixed effects regression framework. Moreover, using a conditional difference-in-differences regression approach to adjust for observables, we investigate the exogenous crisis shock on the probability of introduction and dissolution of employer-led committees at the three different stages of the crisis.

The empirical findings provide evidence that the Global Financial Crisis increases the probability for initiating employer-led committees during the crisis response stage, however, only for negatively affected establishments. In addition, those establishments also do not abolish existing communication bodies. For establishments that are positively affected by the crisis, the results show that they do not introduce or abolish communication committees at either stage of the crisis. We apply several robustness tests that support the initial baseline results. Overall, this paper provides evidence that employer-led communication committees are an additional element in management's toolboxes to mitigate the detrimental effects of an economic downturn by focusing on efficient internal communication flows within the organization.

In addition, this empirical study provides two novel contributions. First, one unique aspect is the focus on employer-led committees for internal communication purposes, which are voluntary and not stipulated by law. Shop floor committees such as non-union forms of employee representation like works councils, which are quite common in Europe[2] and Korea, often provide the function of collective voice and communication on the shop floor. The focus on the German context in this paper offers the opportunity to analyze the impact of the Financial Crisis on voluntary (management-led) staff-involvement committees. On the one hand, in German establishments, the workforce has the right to vote for works councils—shop floor advocates to speak on employees' behalf—with strong co-determination rights (Backes-Gellner et al., 1997).[3] On the other hand, management might initiate (or abolish) voluntary committees too, or as an alternative to works councils (Jirjahn et al., 2022; Oberfichtner & Schnabel, 2019).[4] Evidence on a crisis's effects on employee participation suggests a positive relationship (Gregorič & Rapp, 2019; Jirjahn, 2009; Kranz & Steger, 2013); the literature, however, does not consider staff involvement for enhancing communication. Furthermore, this paper also complements existing studies on the determinants of employer-led, voluntary committees (Hertwig, 2011; Hauser-Ditz et al., 2013; Jirjahn et al., 2022; Oberfichtner & Schnabel, 2019), particularly in the context of the Global Financial Crisis.[5]

Second, this paper contributes to the internal crisis communication literature that has received a surge in interest in the last decade, not only due to the COVID-19 pandemic (Heide & Simonsson, 2021; Mazzei & Ravazzani, 2011; Taylor, 2010). The fundamental questions in this literature are how management structures communication mechanisms to ensure efficient knowledge flows and how decisions are made (Kornberger et al., 2019). The quantitative regression results in this study contribute to a literature that is so far largely driven by qualitative studies.

The paper proceeds as follows. We first provide theoretical considerations and derive hypotheses regarding employer-led institutions and their relevance during the Global Financial Crisis. After describing the empirical strategy and regression results, we provide several robustness tests with respect to the specification of the dependent variables and the composition of the regression sample. Finally, we conclude, provide managerial implications, and discuss avenues for further research.

2 | STAFF INVOLVEMENT COMMITTEES AND INTERNAL COMMUNICATION

Crises usually pose significant threats to organizations' processes, performance, and survival due to their surprising, unanticipated, and highly destructive nature. Whether it is a crisis within an industry or a specific organization, firms must deal with its consequences, especially in the acute response but also in the postcrisis stages (Mazzei & Ravazzani, 2015). The lack of timely and precise information becomes obvious during a crisis and, with it, the urge to act. Managers rely on timely and accurate internal information to, for example, inform stakeholders to protect or repair the reputation of the organization.[6] In addition, cost-cutting measures such as staff reductions and layoffs, but also the cancellation or postponement of investment decisions, must be considered. Managers also need to keep employees informed during a crisis to reduce uncertainty and potential fear of losing their jobs, which could ultimately lead to a drop in performance, thereby exacerbating the impact of the crisis (Heide & Simonsson, 2020).

Efficient interactions and communication among firm divisions, as well as managers and employees, are therefore crucial for intra-organizational information flows during a crisis (Quarantelli, 1988). Although established internal communication channels such as monthly meetings work under 'business as usual' conditions, a crisis results in an exhaustion of existing systems and an overload of information in terms of quality and quantity (Quarantelli, 1988). On the one hand, agile and decentralized internal communication measures, for example, provided by firm-tailored employer-led communication committees, largely contribute to organizations' survival by providing relevant information at the right time (Hau et al., 2013; Sandvik et al., 2020).

Voluntary and mandatory institutions are beneficial for the employer from many perspectives. One key theory in this regard is the collective voice theory, first labeled and put forward by Freeman and Medoff (1979). This framework implies that voice institutions increase efficiency by improving cohesion and communication between workers and management, which, in the end, benefits the firm (Freeman & Lazear, 1995; Jäger et al., 2022b). The workforce possesses not only important (specific) human capital the management does not, but communication committees also function as a relay station for this knowledge, that is, by acting as a receiver and sender of information (Kim, 2018). They gather shop floor knowledge, keep employees informed, and efficiently provide relevant information to managers, thereby reducing information misalignment and increasing team coordination. Finally, voluntary implementation of employer-led ICC also increases trust and employee engagement due to a more positive workplace culture characterized by information sharing and trustful, open relations (Thomas et al., 2009). In this scenario, management's proactive self-disclosure mechanism of informing employees about the crisis incentivizes employees to share important knowledge that would otherwise be withheld.

Finally, we consider management's incentive to initiate or abolish ICC at three stages of the Global Financial Crisis, that is, precrisis, crisis response, and postcrisis (Mazzei & Ravazzani, 2015). Consistent with the qualitative crisis communication literature (Heide & Simonsson, 2020; Heide & Simonsson, 2021; Mazzei & Ravazzani, 2011), we expect that improvements in communication channels are crucial in the crisis response stage when knowledge flows need to be especially effective to mitigate negative effects (Mazzei & Ravazzani, 2015). After the chronic response stage, an organizational renewal phase begins in which these institutions might be abolished again after their purpose is fulfilled.

Although the countermeasure of implementing efficient communication practices for negatively affected organizations is quite plausible, we also look at the effects for positively affected establishments. In those organizations, we suspect different effects. First, the economic pressure to adjust communication and knowledge flows to cope with the crisis has weakened. Second, the management also does not need an 'employee engagement mechanism' in the form of ICCs to provide information or motivate employees. In such a scenario, communication and knowledge channel improvements are not crucial to surviving the crisis. These considerations lead to the following hypotheses:

H1a. *Establishments that are negatively affected by the Global Financial Crisis, are more likely to initiate employer-led internal committees (ICC) to increase knowledge and communication flows.*

H1b. *Establishments that are positively affected by the Global Financial Crisis, are less likely to initiate employer-led internal committees (ICC) to increase knowledge and communication flows.*

Besides voluntary, employer-implemented voice committees, industrial relations institutions such as works councils, which are a common employee advocacy in France and Germany, also foster communication between employers and the workforce (e.g., Jäger et al., 2022a). In this case, the workforce has comprehensive information, consultation, and co-determination rights in many aspects that could improve outcomes during and after a crisis. The German context, with its dual system of industrial relations, provides a unique setting for the analysis since the workforce has the right to vote for works councils with strong co-determination rights (e.g., Backes-Gellner et al., 1997). However, voluntary voice institutions may be implemented in addition to, or as an alternative to, legal co-determination institutions (e.g., Jirjahn et al., 2022). Moreover, the ICCs usually operate, in particular in Germany, at the intersection of management practices and statutory workplace representation (e.g., Delaney & Godard, 2001; Oberfichtner & Schnabel, 2019). Therefore, it is important to understand the functioning of these alternative voice institutions in the system of industrial relations.

The literature shows that ICCs are usually more dynamic and implemented for a rather short time for a specific task (Ertelt et al., 2017). In comparison, works councils are often implemented for a longer period. By investigating both institutions in the empirical analysis, we are also extending the collective voice framework to the management literature. This is not only important from a theoretical point of view but also due to an erosion of traditional representation institutions such as works councils and unions in the system of industrial relations, where alternative, more fluid voice committees gain increasing importance (e.g., Behrens & Dribbusch, 2020; Hassel, 1999). In the following, we check the interdependence of both types of voice institutions before, during, and after the crisis. The considerations above lead to the following hypotheses:

H2a. *Establishments that are negatively affected by the Global Financial Crisis, are more likely to initiate employer-led internal committees (ICC) to increase knowledge and communication flows when no works council exists.*

H2b. *Establishments that are negatively affected by the Global Financial Crisis, are less likely to initiate employer-led internal committees (ICC) to increase knowledge and communication flows when a works council exists.*

3 | RESEARCH SETTING AND EMPIRICAL METHOD

3.1 | Data, variables, and descriptive statistics

To test the hypotheses drawn in the previous section, we use data from the IAB Establishment Panel and apply a quantitative regression framework. The IAB panel is a study of German establishments offered by the German Institute for Employment Research (IAB).[7] Conducted annually since 1993 in Western and since 1996 in Eastern Germany, the dataset surveys around 16,000 establishments per year using a representative sampling design. It provides not only comprehensive information on workforce and establishment characteristics, but also allows the investigation of employer-led committees over time.

3.1.1 | Dependent variables

The IAB questionnaire asks a wide variety of firm and employee-specific variables, which allows for modeling firm determinants of employer-led committees, for example, round table conferences, employee spokespersons, and additional management lines, in detail. The IAB panel queries the existence of these committees since the beginning of the year 2004.[8] We create two dependent variables for the introduction of ICC, 'ICC introduction' and their abolition 'ICC abolition' from the question: 'Is there another company-specific form of staff representation such as a staff spokesperson, round table conferences or something similar?' To calculate an introduction event of employer-led committees, we first identify establishments that do not yet report to have such a committee. Then, we create a dummy variable, which takes the value one in case such an institution is implemented in year t and, in addition, is present in the year $t+1$ and $t+2$.[9] As far as there is no systematic misreporting by firms, this approach mitigates measurement errors in the introduction variable by excluding spurious introduction events. Therefore, we define an introduction event as persisting for at least two consecutive periods.[10] This dummy variable is equal to zero if there is no introduction event.

For the variable of abolishing communication committees, we use a similar approach and create a variable that takes the value one in year t in case an establishment reports having an employer-led committee for the last 2 years ($t-1$ and $t-2$) but not in the recent year t. This dummy variable equals zero in the case of no abolition event. Finally, we remove observations from the sample for which we cannot assign a clear introduction or dissolution event. Moreover, we exclude firms with five or fewer employees since smaller establishments may not introduce a works council as stipulated by law. The estimation sample spans the years 2004–18, including 23,744 establishment-year observations.

3.1.2 | Treatment variables related to the Global Financial Crisis

To model the effects of the Global Financial Crisis on the introduction and abolition of employer-led committees, the IAB panel also provides detailed information on whether and how establishments are affected. The variable for this external shock is derived from the responses to the question: 'In retrospect: Did the economic and financial crisis of the last 2 years affect your establishment/office? This question refers to both, negative and positive effects.'[11] We use this variation in the affectedness of establishments at different stages of the

recession to measure establishments' underlying likelihood of implementing or abolishing employer-led bodies. Since the identification approach relies on a difference-in-differences regression, the affectedness of establishments is used as a treatment indicator. We, therefore, assign establishments to belong either to the control group (not affected by the Global Financial Crisis) or to two different treatment groups (either positively or negatively affected). This approach allows us to separately compare each treatment group to the control group of establishments that are not affected by the financial crisis.

3.1.3 | Control variables

In the empirical analyses, we control for various workplace and employee characteristics. To begin with, establishment size is an important predictor of crisis resistance. For example, larger organizations tend to have access to more resources to cope with a recession; however, smaller organizations might be more agile in dealing with changes (Lai et al., 2016). We use the logarithm of the number of employees to control for establishment size effects. The situation is similar for organizations with several subsidiaries since they can mitigate negative shocks by moving employees back and forth between different areas and departments. We thus add an indicator variable, which takes the value one in case the establishment is part of a firm group and zero otherwise to consider these channels.

In addition, establishments' technical equipment is relevant not only in terms of efficient internal communications, such as, for example, virtual meetings, but also in the effectiveness of crisis countermeasures. We use investments in information and communication technologies as a measure for equipment and proxy for the establishment's capital stock. To control for differences in the firm culture—as a potential reason for differences in the crisis response mechanisms—we include an indicator variable of whether the firm was founded before or after the German reunification in 1990. For example, organizations might behave differently if they have already experienced a crisis.

Finally, employer-led communication bodies might interact with other statutory voice institutions on the shop floor, such as works councils (Oberfichtner & Schnabel, 2019). We account for these interactions by capturing employees' bargaining power on the shop floor by including the existence of a works council in the respective years. Moreover, a dummy variable for collective industry-wide bargaining coverage is included as a similar measure at the industry level. This takes value one if there is an industry-level bargaining agreement and zero else. We complement this with a similarly constructed dummy variable that reflects the situation of whether there is a company-level bargaining agreement. The developments of these measures are shown in Figures A1 and A2, respectively.

Besides establishment differences, workforce characteristics might also be a source of variation in the demand for communication committees. Various types of employees have different preferences with respect to employee voice and internal communication channels, such as, for example, unions, works councils, and employer-led committees. Thus, we include the share of high-skilled, female, and fixed-term workers separately in the regressions.

Table 1 provides the variable definitions and the respective descriptive statistics. These imply, among others, that the introduction of an employer-led committee happens in about 1.3 per cent of the firm years analyzed in this study and, therefore, could be regarded as a relatively rare event. These findings are in line with Ertelt et al. (2017), who find that such committees are often implemented for a specific task and that they are quite fluid in terms of

TABLE 1 Descriptive statistics.

	Description	(1) Mean	(2) SD
Dependent variables			
Introduction of employer-led committee	Indicator variable for the introduction of '[...] Another company-specific form of staff representation such as a staff spokesperson, round table conferences or something similar [...]' in $t+1$ and $t+2$ in comparison to t.	0.013	0.116
Abolition of employer-led committee	Indicator variable similar as the introduction variable above, however, for the abolition of these institutions.	0.013	0.114
Establishment controls			
(Log) employees	Natural logarithm of the number of employees.	4.583	1.485
Part of firm group	Dummy variable equals one if an establishment is part of a larger company or organization and zero otherwise.	0.226	0.418
Investments in ICT	Dummy variable equal to one if an establishments invests in ICT and zero otherwise.	0.627	0.483
Founded before 1990	Dummy variable equal to one if an establishment is founded before 1990, that is, before the German Reunification and zero otherwise.	0.549	0.497
Industry-wide bargaining agreement	Dummy variable equal to one if an establishment is bounded by an industry-wide collective bargaining agreement and zero otherwise.	0.471	0.499
Company bargaining agreement	Dummy variable equal to one if an establishment is bounded by a company-wide collective bargaining agreement and zero otherwise.	0.112	0.315
No bargaining agreement at all	Dummy variable equal to one if an establishment is bounded by no collective bargaining agreement and zero otherwise.	0.416	0.493
Works council	Dummy variable equal to one if there is a works council present in an establishment. This shop floor representation institution can be elected in establishments with more than five permanent employees. Works councils possess comprehensive consultation, information, and codetermination rights in areas such as staffing, working hours or safety. Their rights are defined in the Works Constitution Act.	0.551	0.497
Workforce controls			
Share of high-skilled	Continuous measure for the share of high-skilled workers in relation to total employment in year t which require a university degree.	0.120	0.175
Share of female workers	Continuous measure for the share of female workers in relation to total employment in year t.	0.370	0.263
Share of fixed-term workers	Continuous measure for the share of fixed term workers in relation to total employment in year t.	0.123	0.172
Observations	23,744		

Note: Descriptive statistics, unweighted means. Federal state, industry, size, period, and affectedness dummy variables are provided in Tables B1–B5 in the Appendix. IAB Establishment Panel, waves 2004–18.

introduction and dissolution. Ertelt et al. (2017) find that only 8% of private establishments have a works council and roughly 9% an alternative institution. Both committees simultaneously were only present in roughly 1% of the establishments. We find that the Financial Crisis is indeed such a specific event to implement those committees to temporarily cope with negative effects.

We augment these descriptive statistics with further details about the uptake or abolishment of ICCs. Thus, we first find that the relationship between firm size and the number of establishments with ICCs is inversely U-shaped (Table B3). This is in line with the literature that shows that mandatory employee representations, such as works councils, are also more likely present in larger firms (e.g., Oberfichtner, 2019). Second, we determine the existence of ICCs over time and according to the affectedness of the firms by the financial crisis. The development of works council and ICC adoption over the years can be found in Figure A2. The results imply that the degree of ICCs increased over time. In contrast to that, the adoption of works councils decreases slightly. The count of establishments that introduce an ICC is shown in Table B4 and underlines the previous results. Thus, ICCs are more likely to be found in the financial crisis, compared to the periods before and after. Moreover, the numbers in Table B5 imply that the introduction and abolishment pattern of ICCs is more pronounced for firms that are affected negatively by the financial crisis. This is in line with the predictions above and provides a first indication of a more pronounced introduction of these representations in the financial crisis, and thus, Hypotheses 1a and 1b might hold.

3.2 | Difference-in-differences

To identify the effect of the unexpected event of the Global Financial Crisis on the likelihood of implementing or abolishing employer-led ICC, we apply difference-in-differences regressions.[12] In addition, we provide effect heterogeneity on two aspects. First, we consider three different stages of the recession, that is, precrisis, crisis, and postcrisis.[13] Second, we provide novel empirical evidence of effect heterogeneity depending on whether establishments are positively or negatively affected by the Global Financial Crisis.

To estimate differences in the likelihood of implementing or abolishing employer-led committees (ICC_{it}) in period t for establishment i, we estimate the following Equation (1):

$$ICC_{it} = \alpha + \beta_1 \text{Affected}_i^k + \beta_2 \text{Affected}_i^k \times \text{Crisis}_t + \beta_3 \text{Affected}_i^k \times \text{Postcrisis}_t + \beta X_{it} + \phi_i + \delta_t + \varepsilon_{it}, \quad (1)$$

where 'Affected_i^k' is a dummy variable that is equal to one in case establishment i reports being either negatively or positively affected by the Global Financial Crisis and zero otherwise. Crisis_t is a dummy variable equal to one in the years 2008 and 2009 and zero otherwise. 'Postcrisis_t' is a dummy variable equal to one in and after the year 2010 and zero otherwise to measure effects in the aftermath of the crisis. The interaction terms between 'Affected' and 'Crisis' measure the treatment effect of being exposed to the crisis compared to establishments that are not exposed. It must be noted that the inclusion of year fixed effects (δ_t) ensures that the coefficients of the interaction terms (β_2 and β_3) represent the difference-in-differences effect of interest. Moreover, X_{it} is a vector of time-varying establishment-level control variables as explained above. We include an extensive set of fixed effects, whereby ϕ_i represents establishment, federal state, and industry fixed effects, and δ_t year fixed effects. Finally, ε_{it} is the idiosyncratic error term. The

long panel period starting in the year 2004 allows us to control for establishment fixed effects such as differences in managerial quality that might affect both the likelihood of being affected by the crisis and potential countermeasures. We apply ordinary least squares (OLS) and fixed effects (FE) models to estimate the difference-in-differences regressions.[14] We also estimate Equation (1) without postcrisis interaction terms, implying a pooled response and postcrisis stage. We cluster the standard errors at the establishment level to consider the autocorrelation of the error term and potential heteroscedasticity.

4 | EMPIRICAL RESULTS

4.1 | Negatively affected establishments

First, we test for the negative impacts of the Global Financial Crisis on establishments. These institutions, which the crisis has particularly hard hit, could establish communications committees to mitigate the adverse effects (H1a). As explained in Section 3.2, we first pool the crisis response and postcrisis period by removing the 'Postcrisis$_t$' coefficient and its interaction terms from Equation (1). Results from those difference-in-differences regressions are presented in Table 2, in which columns (1) and (2) consider changes in the likelihood of implementing employer-led committees using OLS and fixed effects, and columns (3) and (4) the abolition of these bodies.

The coefficient of interest is the 'Negatively affected × Crisis' interaction term, which measures the effect of an establishment being negatively affected during the crisis period in relation to not negatively affected establishments.[15] What becomes evident from these results is that the

TABLE 2 Crisis-response effects for negatively affected establishments.

	(1)	(2)	(3)	(4)
	ICC introduction		ICC abolition	
	OLS	Fixed effects	OLS	Fixed effects
Negatively affected	−0.000		0.004*	
	(0.003)		(0.002)	
Negatively affected × Crisis	0.018***	0.020***	0.003	0.000
	(0.003)	(0.004)	(0.005)	(0.006)
Control variables	✓	✓	✓	✓
Establishment fixed effects		✓		✓
Industry fixed effects	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓
R^2	0.010	0.184	0.010	0.163
Observations	23,744			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.

*, **, *** denote significance at the 10%, 5%, 1% levels.

financial crisis has a positive impact on the likelihood of introducing employer-led committees during the crisis. In terms of magnitude, the likelihood of introduction increases by 1.8 to 2.0 percentage points. We find no effects during the financial crisis regarding abolishing an existing communication body for negatively affected establishments.

In the next step, we include the 'Postcrisis$_t$' coefficient in the regressions as shown in Equation (1) and estimate the full specification resented in Table 3. Compared to the previous pooled periods, the treatment effect point estimates are now slightly smaller than the results shown in Table 2. However, it is also significant, at least at the five-percent level as before. Overall, the Global Financial Crisis facilitates the introduction of employer-led communication bodies, especially in the crisis-response period. In fact, the negative point estimate of the 'Negatively affected × Postcrisis' coefficient supports the narrative that the likelihood of introducing ICCs is reduced after their purpose seems to be fulfilled in the crisis response period. Again, no effects regarding the abolition of an already existing institution are discernible, albeit the point estimates are positive.

4.2 | Positively affected establishments

The IAB Establishment Panel also offers information on establishments positively affected by the Global Financial Crisis. Some organizations might benefit from an economic downturn depending on specific industries or geographic locations. For those establishments, we re-define

TABLE 3 Crisis-response and postcrisis effects for negatively affected establishments.

	(1)	(2)	(3)	(4)
	ICC introduction		ICC abolition	
	OLS	Fixed effects	OLS	Fixed effects
Negatively affected	0.006		0.003	
	(0.004)		(0.004)	
Negatively affected × Crisis	0.012***	0.014**	0.005	0.004
	(0.004)	(0.006)	(0.006)	(0.007)
Negatively affected × Postcrisis	−0.008*	−0.008	0.002	0.006
	(0.005)	(0.005)	(0.004)	(0.005)
Control variables	✓	✓	✓	✓
Establishment fixed effects		✓		✓
Industry fixed effects	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓
R^2	0.010	0.184	0.010	0.164
Observations	23,744			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Regarding the full specification including all establishment controls, see Table B6 in the Appendix. Data from the IAB Establishment Panel, waves 2004–18.

*, **, *** denote significance at the 10%, 5%, 1% levels.

the treatment group, which now consists only of positively affected establishments compared to those unaffected. We expect these establishments are less likely to introduce ICCs compared to not affected firms (H1b). We then re-estimate the difference-in-differences regressions to calculate the treatment effect of being positively exposed to the crisis on the likelihood of introducing or abolishing employer-led communication committees. The results are presented in Tables 4 and 5.

As shown in Table 4 and compared to the negatively affected establishments before, the sign of the ICC introduction effect is reversed. The likelihood of introducing employer-led communication committees is reduced by 2.0 (OLS) to 2.4 (fixed effects) percentage points, and the effects are significant at the one percentage level. This could signify an already well-equipped and functioning communication line in which additional communication channels are unnecessary during the crisis. With respect to the abolition of communication bodies for positively affected establishments, we again find no significant effects.

Next, we include the 'Positively affected × Postcrisis' coefficient in the regressions to disentangle the effect between different stages of the crisis for the positively affected establishments. The results are presented in Table 5 and are similar to those in Table 4, where we pool the crisis-response and postcrisis periods. The sign and significance level of the coefficient on the treatment effect are identical, and the effect of the crisis on the abolition of employer-led committees is also absent from this specification.

4.3 | The effect for firms with and without works councils

Although there is comprehensive research on determinants of alternative voice institutions (e.g., Ellguth, 2009; Ertelt et al., 2017; Hauser-Ditz et al., 2013; Jirjahn et al., 2022; Oberfichtner & Schnabel, 2019) and works councils (e.g., Addison et al., 1997), it is not yet

TABLE 4 Crisis-response effects for positively affected establishments.

	(1)	(2)	(3)	(4)
	ICC introduction		**ICC abolition**	
	OLS	**Fixed effects**	**OLS**	**Fixed effects**
Positively affected	0.004		−0.000	
	(0.004)		(0.004)	
Positively affected × Crisis	−0.020***	−0.024***	−0.008	−0.003
	(0.005)	(0.006)	(0.007)	(0.008)
Control variables	✓	✓	✓	✓
Establishment fixed effects		✓		✓
Industry fixed effects	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓
R^2	0.010	0.184	0.010	0.163
Observations	23,744			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.

*, **, *** denote significance at the 10%, 5%, 1% levels.

TABLE 5 Crisis-response and postcrisis effects for positively affected establishments.

	(1)	(2)	(3)	(4)
	ICC introduction		ICC abolition	
	OLS	Fixed effects	OLS	Fixed effects
Positively affected	0.007		0.005	
	(0.008)		(0.006)	
Positively affected × Crisis	−0.023***	−0.024**	−0.013	−0.011
	(0.008)	(0.010)	(0.009)	(0.011)
Positively affected × Postcrisis	−0.004	0.001	−0.007	−0.012
	(0.008)	(0.009)	(0.007)	(0.009)
Control variables	✓	✓	✓	✓
Establishment fixed effects		✓		✓
Industry fixed effects	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓
R^2	0.010	0.184	0.010	0.163
Observations	23,744			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Regarding the full specification including all establishment controls, see Table B7 in the Appendix. Data from the IAB Establishment Panel, waves 2004–18.

*, **, *** denote significance at the 10%, 5%, 1% levels.

settled whether voluntary and statutory representation committees are complements or substitutes (e.g., Jirjahn et al., 2022; Oberfichtner & Schnabel, 2019). In the next step, we focus on this topic in the context of a crisis and differentiate between firms with a works council and those without. According to Hypotheses 2a and 2b, the latter should be more likely to introduce an ICC. This is because of the missing mandatory employment representation in the form of a works council that would already provide a collective voice for employees in that establishment. On the contrary, firms with a works council might be less likely to introduce an ICC since there is an already established form of collective voice at the shop floor. The results when splitting the sample of firms according to the existence of the mandatory form of employee representation are shown in Tables 6–9.

We find that the baseline effects presented in Tables 2 and 4 are reinforced when splitting the sample by firms with a works council and those without (Tables 6 and 8). First, starting with the crisis-response effects for positively affected establishments, it must be noted that the (negative) introduction effect is larger in absolute terms for the positively affected establishments with a works council. This is in line with the idea that there is no necessity to have an additional voluntary collective voice committee in firms that already have a form of employee representation (the works council) and perform well during the crisis. When additionally accounting for the postcrisis interaction effect (Tables 7 and 9), we find that the effect is more pronounced for the crisis period if the firms have a works council. This holds for both positively and negatively affected establishments. Second, we find no effects in the period after the financial crisis for those with a works council that are statistically significant on conventional levels.

TABLE 6 Crisis-response effects for negatively affected establishments with and without a works council.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	No works council in the establishment				**Works council in the establishment**			
	ICC introduction		**ICC abolition**		**ICC introduction**		**ICC abolition**	
	OLS	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**
Negatively affected	0.001		0.001		−0.002		0.005**	
	(0.004)		(0.004)		(0.004)		(0.002)	
Negatively affected × Crisis	0.017***	0.022***	0.006	0.001	0.018***	0.018***	0.001	0.001
	(0.005)	(0.007)	(0.010)	(0.012)	(0.004)	(0.005)	(0.005)	(0.005)
Control variables	✓	✓	✓	✓	✓	✓	✓	✓
Establishment fixed effects		✓		✓		✓		
Industry fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
R^2	0.010	0.224	0.014	0.213	0.015	0.198	0.011	0.152
Observations	10,653				13,091			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.
*, **, *** denote significance at the 10%, 5%, 1% levels.

TABLE 7 Crisis-response effects for negatively affected establishments with and without a works council.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	No works council in the establishment				**Works council in the establishment**			
	ICC introduction		**ICC abolition**		**ICC introduction**		**ICC abolition**	
	OLS	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**
Negatively affected	0.008		0.001		0.004		0.003	
	(0.006)		(0.007)		(0.005)		(0.004)	
Negatively affected × Crisis	0.010	0.018*	0.006	0.004	0.013**	0.012*	0.004	−0.000
	(0.007)	(0.010)	(0.011)	(0.016)	(0.006)	(0.007)	(0.006)	(0.006)
Negatively affected × Postcrisis	−0.010	−0.007	−0.000	0.005	−0.008	−0.009	0.003	−0.002
	(0.007)	(0.010)	(0.009)	(0.012)	(0.006)	(0.006)	(0.004)	(0.005)
Control variables	✓	✓	✓	✓	✓	✓	✓	✓
Establishment fixed effects		✓		✓		✓		
Industry fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
R^2	0.010	0.224	0.014	0.213	0.015	0.198	0.011	0.152
Observations	10,653				13,091			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.
*, **, *** denote significance at the 10%, 5%, 1% levels.

TABLE 8 Crisis-response effects for positively affected establishments with and without a works council.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	No works council in the establishment				**Works council in the establishment**			
	ICC introduction		**ICC abolition**		**ICC introduction**		**ICC abolition**	
	OLS	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**
Positively affected	−0.003		0.002		0.010		−0.001	
	(0.005)		(0.006)		(0.006)		(0.004)	
Positively affected × Crisis	−0.012**	−0.023*	−0.015	−0.006	−0.025***	−0.026***	−0.003	−0.002
	(0.006)	(0.012)	(0.012)	(0.017)	(0.007)	(0.008)	(0.008)	(0.008)
Control variables	✓	✓	✓	✓	✓	✓	✓	✓
Establishment fixed effects		✓		✓		✓		
Industry fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
R^2	0.009	0.224	0.014	0.213	0.015	0.198	0.011	0.152
Observations	10,653				13,091			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.
*, **, *** denote significance at the 10%, 5%, 1% levels.

TABLE 9 Crisis-response effects for positively affected establishments with and without a works council.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	No works council in the establishment				**Works council in the establishment**			
	ICC introduction		**ICC abolition**		**ICC introduction**		**ICC abolition**	
	OLS	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**	**OLS**	**Fixed effects**
Positively affected	−0.001		0.005		0.014		0.005	
	(0.010)		(0.011)		(0.011)		(0.007)	
Positively affected × Crisis	−0.014	−0.020	−0.018	−0.012	−0.028**	−0.026**	−0.009	−0.003
	(0.011)	(0.018)	(0.016)	(0.019)	(0.011)	(0.012)	(0.010)	(0.012)
Positively affected × Postcrisis	−0.003	0.004	−0.004	−0.010	−0.005	−0.000	−0.008	−0.001
	(0.012)	(0.016)	(0.014)	(0.017)	(0.011)	(0.010)	(0.007)	(0.009)
Control variables	✓	✓	✓	✓	✓	✓	✓	✓
Establishment fixed effects		✓		✓		✓		
Industry fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Year fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Federal state fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
R^2	0.009	0.224	0.014	0.213	0.015	0.198	0.011	0.152
Observations	10,653				13,091			

Note: This table shows the results from estimating Equation (1). All regressions include control variables. Data from the IAB Establishment Panel, waves 2004–18.
*, **, *** denote significance at the 10%, 5%, 1% levels.

Similar to Ertelt et al. (2017), this aligns with the idea that these establishments might introduce complementary voluntary ICC only in the short run to cope with temporal crisis effects. However, they are less likely to introduce them after the crisis. The latter might be mainly rooted in the fact that a form of employee representation already exists.

4.4 | Robustness and sensitivity tests

In this section, we first analyze the sensitivity of our results regarding parallel trends. This assumption must be fulfilled so that the difference-in-differences coefficients are valid estimates. It presupposes a parallel trend in outcomes of the treatment and control group before the actual treatment took place. To test for this pattern, we modify Equation (1) by replacing the interaction terms with more granular interactions of the treatment variables (positively or negatively affected by the crisis) and individual year dummies. Taking the treatment-year-interaction term that includes the year 2007 as a reference allows us to determine whether the movement in outcomes was parallel before the crisis. Therefore, we inspect the individual coefficients and test for their joint significance following Mora and Reggio (2019). The results of this exercise are shown in Tables C1 and C2. On the one hand, the estimates imply that there was no individual significant effect before the financial crisis. On the other hand, the null hypothesis of the test that all precrisis coefficients are jointly insignificant could not be rejected in all but one specification. This implies that the parallel trend assumption is likely fulfilled.

In this section, we further challenge the specification and definition of the dependent variables. So far and consistent with the literature (e.g., Oberfichtner, 2019), we first calculate employer-led committees' introduction and abolition coefficient as binary variables, which takes the value one in years $t+1$ and $t+2$ and zero otherwise. To challenge this definition, we now define the introduction of communication committees in case the establishments also report no committee in t but only in $t+1$. We follow a similar approach for the abolition event, which is defined in case an establishment reports the presence of a communication body in year t but not in $t-1$. Then we re-estimate the previous full-specified models with the results presented in Tables C3 and C4. Again, we find similar results as before with respect to both the size of the coefficient and the level of significance. The exogenous shock of the Global Financial Crisis significantly positively affects the likelihood of introducing employer-led committees during the crisis-response stage for negatively affected establishments. For positively affected establishments, the effect of implementing communication bodies is reduced during the crisis period. There is no evidence of a significant treatment effect for the specification with both coefficients, the crisis response and postcrisis stage.

In measuring exposure to the Global Financial Crisis, we have distinguished between negatively and positively affected establishments. The IAB questionnaire, however, also allows establishments to report that they are both negatively and positively affected simultaneously. For example, different organizational divisions might be exposed differently. The impact of the crisis might also change over time, thus leading establishments to report a different exposure pattern. In addition, these establishments could be different from others, creating a potential sample selection problem. In this section, we omit these establishments from the estimation sample to not bias the treatment effect of the crisis. By omitting those establishments, the sample drops by $N = 7{,}917$ observations.

In re-estimating the difference-in-differences specifications, we find similar results in which the positive effect of introduction is still present for negatively affected establishments

(Table C5); and the negative effect for the positively affected establishments (Table C6). Although the drop in observations eventually might affect the power of statistical inference, the effects are still significant, at least at the 5 per cent level. Again, the results of this robustness test underline the relevance of the introduction of employer-led committees in the crisis-response period for negatively affected establishments but not for positively affected organizations. Moreover, we find no effects of the Global Financial Crisis on the abolition of employer-led bodies, which is a consistent finding among all specifications. A well-implemented communication body is simply not abolished in the crisis and postcrisis periods because it is important for communication purposes.

Throughout the paper, we assumed that the Global Financial Crisis is an unexpected event, a rather exogenous shock that hits establishments randomly. This section challenges this assumption and tests whether the previous results are still consistent when we additionally apply matching methods to consider potential selection effects. For example, establishments might be differently affected by the crisis depending on their observable characteristics that, at the same time, also determine the introduction and abolition of ICCs. In this case, a selection-on-observable mechanism would be in place (Imbens & Wooldridge, 2009; Rubin, 1974). The difference-in-differences specification in Equation (1) is therefore augmented using entropy balancing in addition (Hainmueller, 2012; Hainmueller & Xu, 2013).[16] The idea is to make establishments as similar as possible regarding observable characteristics before investigating the effects of the financial crisis on employer-led communication committees.

This selection-on-observable approach includes the balancing of covariates among the differently affected establishments. We apply the method twice, for the positively and negatively affected establishments. Then, the idea of entropy balancing is to create a counterfactual control group of establishments unaffected by the crisis. They are, however, as similar as establishments that are exposed and in the treatment group. This matching method estimates the population average treatment effect on the treated, that is, $PATT_{\tau} = E[\mathrm{Y}(1)|\mathrm{D}=1] - E[\mathrm{Y}(0)|\mathrm{D}=1]$, where the counterfactual second term is estimated using sample analogues of the following expression:

$$E\left[\mathrm{Y}(0)\,\widehat{|}\,D=1\right] = \frac{\sum_{[i|D=0]} \mathrm{Y}_i \omega_i}{\sum_{[i|D=0]} \omega_i}, \tag{2}$$

In Equation (2), ω_i is the weight for each control establishment in the sample. Entropy balancing chooses the weights to fulfill a re-weighting scheme where $h(\omega_i)$ is a metric that measures the distance between distributions of control and treatment establishments. The matching model then imposes a set of R balancing constraints, i.e., on the mean, variance, and skewness of the covariate distribution, to re-weight the control group accordingly. Entropy balancing also implicitly provides the feature that weights are normalized to one to ensure finite sample efficiency (Busso et al., 2014), using the normalizing constraint $\sum_{[i|D=0]} \omega_i = 1$, where $\omega_i \geq 0$ for all i such that $D=0$. Since the entropy balancing approach provides the opportunity to match on different distributional moments of the covariates, we choose the most restrictive specification and match on all three moments of the covariate distributions to make establishments as similar as possible.[17]

To check the balancing of the covariates among the control and treatment groups, we rely on frequently applied t-tests for mean equality (Caliendo & Kopeinig, 2008) where the results of the t-tests are shown in the last columns of Tables C7 and C8 in the Appendix. As shown, the

balancing property is fulfilled, and any remaining differences among the differently affected establishments are removed. Tables C9 and C10 present the results of the re-weighted regressions from Equation (1). Again, the results are the same as in the baseline difference-in-differences regressions. The likelihood of initiating employer-led communication committees is higher if the establishment is negatively affected by the Global Financial Crisis. It is interesting to note, however, that while the significance is similar (i.e., significant at least at the 5 per cent level), the magnitude of the point estimate for the negatively affected establishments decreases compared to the unmatched results. The adjustment of observable characteristics among establishments thus already accounts for variation in the outcome otherwise measured in the crisis coefficient. Considering those observable differences is thus an important aspect of this robustness test, which supports the previous findings and reduces bias in the estimates. For the positively affected establishments, the provided evidence does not suggest a drop in the size of the estimates.

5 | DISCUSSION AND CONTRIBUTION

5.1 | Discussion

Despite the relevance of external communication with stakeholders during various stages of a recession (Coombs, 2007), studies on internal crisis communication to mitigate the detrimental effects of a crisis are rather scarce. We have examined this issue for German establishments and answered the question: 'Do establishments initiate or abolish employer-led communication committees such as round table conferences or spokespersons in the crisis-response and post-crisis period of the Global Financial Crisis?' In addition, we provide evidence of whether employers' motivation to implement or abolish these committees depends on how the crisis affects establishments positively or negatively.

Our results show that internal communication within and among divisions is important during a crisis, especially for negatively affected establishments in the crisis-response period. During the severe crisis period in the years 2008 and 2009 in Germany, the likelihood of initiating employer-led bodies such as round table conferences or employee spokespersons increases by around two percentage points. On the contrary, the likelihood of introducing employer-led bodies is reduced for positively affected establishments. An additional internal communication platform is thus not required. Looking at the effects of abolishing an existing communication committee, we find no effects for the negatively or positively affected establishments. Thus, a previously established and well-functioning communication committee appears durable and is not eliminated during or after the crisis. These results provide the first quantitative evidence for previous qualitative results and understandings of crisis communication (Heide & Simonsson, 2020; Heide & Simonsson, 2021; Mazzei & Ravazzani, 2011; Mazzei & Ravazzani, 2015).

5.2 | Contributions

This empirical study offers two key contributions. First, in contrast to the symbolic approach of external communication with stakeholders to protect the image of the organization (Kim, 2018), our findings contribute to the enactment perspective that puts employees and their

behavior during a crisis at the core of the investigation (Mazzei & Ravazzani, 2015). This perspective tries to understand cooperation during periods of crises and how internal communication, such as dialog and interaction (Kim, 2018), can enhance the organization's efficiency. Although Mazzei and Ravazzani (2015) investigate Italian companies and their internal communication during the Global Financial Crisis, our study investigates the German context. In addition, other studies examine the organizational impact of ICCs (Heide & Simonsson, 2021), this study takes a step back and first examines whether such committees are initiated at all in times of crisis. Finally, while Mazzei and Ravazzani (2015) find that most firms use internal communication in the form of formal meetings and manager-employee meetings during the crisis, our findings quantitatively support these results.

Second, this study also provides additional knowledge in employee-management relations (Cook et al., 2016; Gunnigle et al., 2013). For example, employer-led committees also provide a 'collective voice' for employees to come up and discuss new ideas and bring them up to the management. Although employees might feel exposed by providing private information alone, an institutionalized information committee provides anonymity and, thus, a higher incentive to contribute to organizational issues. The reversed information channel, however, is also quite likely in which management informs employees regarding layoffs or planned reorganization purposes. Such continuous communication practices between managers and employees signal trust and commitment in the sense that management is eager to tackle potential negative crisis effects (Thomas et al., 2009). Analog collective voice channels have only been investigated so far regarding unions and works councils. This study provides additional knowledge in the context of labor-management relations for voluntary, employer-initiated committees.[18]

5.3 | Limitations and further research

This paper has two potential limitations that provide clues for further research. First, while the Global Financial Crisis was undoubtedly an unexpected, exogenous shock to organizations, it was also a particular crisis. Therefore, one limitation of this study might be the uniqueness of the crisis and whether the empirical findings are externally valid, that is, generalizable to, for example, the recent COVID-19 pandemic.[19] Recent waves of the IAB Establishment Panel looking at the COVID-19 pandemic could illuminate this question. Moreover, despite the matching approach applied to account for potential selection effects of the financial crisis, that is, that observable establishment characteristics affect both the impact of the crisis and the existence of crisis committees, there may still be biases related to unobservable factors.

Second, because the explanatory variable is quite broad, defining the types of communication committees that employers use during the crisis is difficult. The definition ranges from a broad spectrum of committees such as round table conferences, employee spokespersons, and, for example, additional lines of management. What all these definitions have in common, however, is that they refer to an employer-led communications committee, albeit with a slightly nuanced emphasis on the different roles within the organization. This quantitative study contributes to understanding the fundamental relationship between a crisis and ICCs. However, additional qualitative work could provide further insights into these committees' functioning, definition, and composition. This is particularly necessary since these committees exist only for a short period of time (e.g., Ellguth & Kohaut, 2021; Ertelt et al., 2017), which is also confirmed by the descriptive statistics in this study. Finally, the measurement of how severely establishments are affected by the crisis is purely based on self-reported information. Although the IAB Panel provides reliable information, there is still a potential for measurement errors.

6 | CONCLUSION

This study explains at which stages of the Global Financial Crisis and to what extent differently affected establishments initiate and abolish communication committees to support internal knowledge flows. Internal communication is a relatively underexplored aspect, and most existing studies focus on different countermeasures to cope with an economic downturn. A prominent aspect in this regard is external communication, for example, with stakeholders to save or repair the organization's reputation during a crisis. Staff involvement committees, however, function as relay stations between managers and employees within the organization and thus provide an institutionalized mechanism for coordinated dialogue. These communication committees are supposed to mitigate detrimental crisis effects by improving communication, knowledge flows, and decision-making.

To study the impact of the Global Financial Crisis on the likelihood of introducing and abolishing employer-led communication bodies, we use the German IAB Establishment Panel and apply conditional difference-in-differences regressions. We find that negatively affected organizations initiate employer-led committees as a crisis response strategy, that is, during the financial crisis, but not in the postcrisis stage. The probability of introduction during the crisis increases by, on average, two percentage points compared to establishments that are not affected. Positively affected establishments are less likely to initiate employer-led communication bodies in the crisis and not in the aftermath. Regarding the abolition of communication bodies, we cannot identify any effects in the crisis response or postcrisis period. An existing staff involvement body is not abolished in negatively affected establishments, as it is particularly relevant as a crisis countermeasure. In positively affected establishments, however, abolishing a functioning body is unnecessary.

Overall, this study quantitatively supports existing qualitative findings in the literature (Heide & Simonsson, 2020; Heide & Simonsson, 2021; Mazzei & Ravazzani, 2011; Mazzei & Ravazzani, 2015) regarding internal crisis communication. Furthermore, this study highlights the importance of internal staff involvement committees as a crisis countermeasure. Finally, and as a managerial implication, this study highlights, besides the importance of cost-cutting measures during an economic downturn, that improving internal crisis communication is an additional approach worth careful consideration.

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DATA AVAILABILITY STATEMENT

The data access was provided via on-site use at the Research Data Centre (FDZ) of the German Federal Employment Agency (BA) at the Institute for Employment Research (IAB) and subsequently remote data access. For an overview of the data, see Bächmann et al. (2023a) and for the documentation, Bächmann et al. (2023b).

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ENDNOTES

[1] This literature focuses on various aspects of external communication according to the Situational Crisis Communication Theory. An important aspect of this theory is that effective external communication during a crisis protects the organizational reputation and ensures future collaboration and interactions (Coombs, 2007).

[2] In particular in Austria, Belgium, France, Germany, the Netherlands, and Italy.

[3] Compared to German works councils, as firm-level bodies representing employees, voluntary institutions do not possess any co-determination rights granted by law. Compared to, for example, joint consultative committees (Gomez et al., 2019), quality circles or working groups (Royle, 1998), the formalization degree of voluntary institutions on the establishment level is much higher.

[4] See also the discussion in Oberfichtner and Schnabel (2019) whether works councils and voluntary institutions are rather complements or substitutes on the firm level.

[5] The incidence of works councils in German establishments is in fact declining and employer-led committees gain an increasing relevance over the last decade. Figures A.1 and A.2 in the Appendix provide an overview of decreasing workers' bargaining power and the increasing relevance of employer-led committees.

[6] Such kind of external communication between the organization and stakeholders, however, is not considered here. This approach is usually referred to as 'thunder-stealing' in which the management informs stakeholders and employees about the potential crisis before some other channel exposes this information (Beldad et al., 2018).

[7] Fischer et al. (2009) provide further details about this data set and Bossler et al. (2018) provide a comparison between the IAB Establishment Panel and administrative data in Germany.

[8] This question was implemented in the year 2003, however, slightly nuanced. To prevent measurement errors, we remove the year 2003 from the sample to work with a consistent variable definition along the panel dimension.

[9] As a robustness test, we also applied different specifications of the introduction and dissolution variables.

[10] See, for example, Oberfichtner (2019) for a similar approach in the context of works councils.

[11] We also conduct robustness tests in which firms that report being positively and negatively affected are removed from the sample.

[12] We also augment the difference-in-differences regressions with matching methods such as entropy balancing (Hainmueller, 2012; Hainmueller & Xu, 2013) to consider selection effects later in this article. For example, observable characteristics of establishments could determine the nature of the exposure to the crisis.

[13] See, for example, Giebel and Kraft (2023) for a similar approach.

[14] Because the dependent variables are dichotomous, binary choice models such as probit or logit are often applied (Greene, 2008). Nonlinear fixed effects models, however, suffer from the 'incidental parameters problem' (Fernández-Val, 2009). Therefore, we apply linear probability models with multiple fixed effects within a difference-in-differences framework, which are more reliable in this case (Bellemare et al., 2015). See, for example, Jones et al. (2021) for a similar application of linear probability models in combination with fixed effects as an alternative to nonlinear Tobit models.

[15] To be clear, within the difference-in-differences approach, the 'Crisis' coefficient is the dummy variable equal to one in the period the treatment occurs. However, it measures the trend of employer-led committees over time, independent from the treatment.

[16] See Imbens and Wooldridge (2009) for an overview of other matching algorithms. Compared to, for example, inverse-probability weighting, entropy balancing is known to be highly efficient and doubly robust (Zhao & Percival, 2017). Moreover, the approach allows directly including the entropy balancing weights into the difference-in-differences regression framework.

[17] We also estimate every re-weighted model with different restrictions, i.e., only balancing the mean, the variance, and both. However, the results and mean comparisons shown in Tables C7–C10 in the Appendix do not change among different specifications.

[18] Especially in Germany, whether employer-led committees—that might also engage in a function of employee representation—and works councils are complements or substitutes on the shop floor is still an ongoing debate (Jirjahn et al., 2022; Oberfichtner & Schnabel, 2019).

[19] Qualitative evidence in the context of the COVID-19 pandemic already points in a similar direction and towards the relevance of internal communication committees (Heide & Simonsson, 2021).

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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