

The Impact of Economic Scarcity on Employee Motivation and Frugality in the Workplace

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Abstract

This study investigates the impact of economic scarcity on employee motivation and frugality in workplace settings. Economic scarcity is defined as the limitations faced by individuals or groups in accessing financial resources, which significantly impacts organizational strategies and employee behaviors. Employee motivation refers to the level of enthusiasm, dedication, and ingenuity that employees bring to their work, while frugality in the workplace is characterized by the maximization of productivity and minimization of waste regarding resources such as time, money, and materials. The research examines the relationships between these variables through quantitative analysis, including regression and correlation techniques. Findings indicate that economic scarcity has a limited influence on employee motivation and frugality, explaining approximately 3.1% of the variance in these outcomes. However, a moderate positive correlation was identified between employee motivation and frugality, suggesting that higher motivation levels are linked to increased frugal behaviors. The study emphasizes the importance of fostering intrinsic motivation to enhance resource-conserving practices among employees, especially in times of economic constraints. Future research is recommended to explore these dynamics further using more diverse methodologies and samples to better understand the underlying factors affecting employee motivation and frugality in varying economic contexts.

Keywords: economic scarcity, employee motivation, frugality, workplace behavior, organizational strategies, resource management, financial wellbeing, intrinsic motivation, quantitative analysis.

1. INTRODUCTION

In today's dynamic business environment, organizations continuously strive to optimize resources while maintaining employee motivation and productivity. Economic scarcity refers to the limitation of financial, material, or human resources within an organization, influencing both organizational strategies and employee behaviors (Auger et al., 2024). When companies face financial constraints, they often implement cost-cutting measures such as budget reductions, workforce downsizing, or restructuring. These measures, while necessary for financial sustainability, can lead to uncertainty and stress among employees. As a result, workers may experience increased workloads, reduced job security, and limited career advancement opportunities, which can impact their overall job satisfaction and productivity. (Mullainathan & Shafir, 2014).

Economic scarcity affects employee cognition and decision-making. Liang et al. (2023) suggest that individuals operating under financial constraints tend to experience cognitive overload, leading to short-

term decision-making and risk-averse behaviors. Employees struggling with financial stress may have difficulty focusing on complex tasks, reducing overall efficiency and workplace engagement (Wang et al., 2024). This phenomenon underscores the need for organizations to implement supportive measures, such as financial wellness programs and stress management initiatives, to mitigate the adverse effects of economic scarcity.

Employee motivation plays a vital role in determining job performance, organizational commitment, and overall workplace satisfaction (Pârjoleanu, 2020). Traditional theories, such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, emphasize the importance of financial rewards, job security, and career growth as key motivational drivers (Maslow, 1943). However, in environments affected by economic scarcity, these factors may be limited, requiring organizations to explore alternative motivational strategies. For instance, intrinsic motivators such as meaningful work, autonomy, and skill development become crucial in maintaining employee engagement despite financial constraints.

For employee motivation in resource-limited environments, organizations can implement non-monetary incentives, such as recognition programs, flexible work arrangements, and career development opportunities. Danila et al. (2020) Encouraging a supportive work culture, where employees feel valued and empowered, can counteract the negative effects of economic scarcity. By aligning motivation strategies with employees' psychological and professional needs, organizations can maintain high performance and engagement levels even in financially constrained conditions.

Frugality in the workplace is a strategic approach to managing resources efficiently while maintaining productivity and innovation. It involves practices such as cost-conscious decision-making, minimizing waste, and optimizing operational efficiency (Etse et al., 2021). In response to economic scarcity, organizations often encourage frugality as a means of sustaining financial stability while ensuring that essential business functions continue smoothly. Employees who embrace frugal behaviors contribute to organizational resilience by finding creative ways to maximize available resources without compromising quality.

Frugality in the workplace is not solely about reducing expenses; it also encompasses sustainable practices and ethical consumption of resources. For instance, adopting energy-efficient technologies, implementing paperless workflows, and reducing discretionary expenses are common frugality-driven strategies (Valsamidis, 2019). When employees internalize these behaviors, they contribute to a culture of sustainability, benefiting both the organization and the environment. Moreover, organizations that promote frugality often experience long-term cost savings and improved operational efficiency.

2. Method

Statement of the Problem

How does economic scarcity influence employee motivation and frugality in the workplace?

Objectives of the Study

- To assess the significant relationship between economic scarcity and employee motivation.
- To assess the significant relationship between economic scarcity and frugality behaviors among employees.
- To assess the significant relationship between employee motivation and frugality behaviors among employees.

Operational Definition of the Variables

Economic scarcity: The extent to which an individual or group experiences limitations in accessing financial resources, goods, or services necessary to meet their basic needs or achieve their desired standard of living.

Employee Motivation: Employee motivation is the degree of excitement, dedication, and creativity that workers in a company bring when performing their jobs.

Frugality: In the workplace, being frugal with resources such as time, money, and materials means maximizing productivity and minimizing waste.

Hypothesis

H01: There is no significant relationship between economic scarcity and motivation among employees.

H02: There is no significant relationship between economic scarcity and frugality behaviors among employees.

H03: There is no significant relationship between employee motivation and frugality behaviors among employees.

H04: There will be no significant influence of economic scarcity on employee motivation and frugality in the workplace.

H05: There will be no significant difference between genders on economic scarcity, employee motivation and frugality in the workplace.

Sample

A convenient sampling method was used, and the study comprised 210 employees from diverse organizational backgrounds across Karnataka and Goa. Participants were selected based on their tenure of at least one year within their respective organizations to ensure familiarity with workplace dynamics. All respondents were above 25 years of age, allowing for insights from individuals with a certain level of professional experience. Google forms can be circulated via online platforms to collect the data considering the inclusion and exclusion criteria. Before data collection, consent can be obtained from the participants. After this, the scoring and statistical analysis can be performed.

Inclusion Criteria

- Participants must be employed in the company on a regular basis.
- Participants also need to have work experience minimum of 1 year.

Exclusion Criteria

- Participants who are not fluent in English.
- Participants who do not work in an organization.
- Participants who are freelancing and self-employed.

Tools Used

The Perceived Economic Scarcity Scale

The Perceived Economic Scarcity Scale (PESS), developed by Auger, Sommet, & Normand in 2024, a new instrument designed to measure the subjective experience of economic scarcity, the feeling of having insufficient financial resources to meet one's needs. The scale consists of a 09-item instrument for assessing the subjective experience of economic scarcity. The scale's strong psychometric properties and incremental predictive utility over income make it a valuable tool for advancing research on the

psychological consequences of perceived economic insufficiency. It has a 0.90 Alpha Crohnbach value.

Work Extrinsic and Intrinsic Motivation Scale

The Work Extrinsic and Intrinsic Motivation Scale (WEIMS) involved several validation steps to ensure its applicability and reliability in assessing work motivation within various environments. The process began with the adaptation of the best three manifest measurement indicators (items) from the original constructs of the Blais Inventory of Work Motivation (BIWM), using a back-to-back retranslation technique. The final version of the WEIMS consists of 18 items, representing six motivational constructs aligned with Self-Determination Theory (SDT): intrinsic motivation, integrated regulation, identified regulation, introjected regulation, external regulation, and motivation. The internal consistency of the scale Cronbach Alpha values ranged from 0.64 to 0.83.

Frugality Behaviour Scale (FBS)

The Frugal Behavior scale was created by modifying the Lastovicka et al. (1999) scale to incorporate 10 items (Muiños et al., 2015). It assesses a person's ability to make innovative use of the resources they already have and their willingness to limit their purchases. Its Alpha Crohnbach value is 0.88.

Research Design and Statistical Technique

A quantitative research approach with a descriptive study design was used. The data were collected using the simple convenient sampling method. JAMOVI was used to determine the correlation and differences between variables.

3. Results

Table 1: Spearman's Rank Correlation for Economic Scarcity, Employee Motivation, and Frugality in the Workplace.

	Variables	N	1 ¹	2 ¹	3 ¹
1.	Economic Scarcity	210	-	-	-
2.	Employee Motivation	210	-0.092	-	-
3.	Frugality	210	-0.075	0.262***	-

Note. * p < .05, ** p < .01, *** p < .001

In a correlation analysis, the relationships between economic scarcity, employee motivation, and frugality were examined using Spearman's rank correlation coefficient.

The correlation between economic scarcity and employee motivation was found to be weak and negative (Spearman's rho = -0.092, p = 0.182). This suggests that there is a slight tendency for employee motivation to decrease as economic scarcity increases; however, this relationship was not statistically significant at the 0.05 level. Thus, rejecting the null hypothesis.

The correlation between economic scarcity and frugality was also weak and negative (Spearman's rho = -0.075, p = 0.282). This indicates that economic scarcity may have a marginal influence on frugality behaviors, but again, the relationship was not statistically significant. Thus, we accept the null hypothesis. A moderate and statistically significant positive correlation was observed between employee motivation and frugality (Spearman's rho = 0.262, p < 0.001). This finding indicates that higher levels of employee

motivation are associated with increased frugality behaviors, suggesting that motivated employees tend to be more resourceful and prudent in their actions. Thus, rejecting the null hypothesis.

Table 2: Model Summary for Linear Regression of Economic Scarcity, Employee Motivation, and Frugality in the Workplace.

Predictor Variables	Standardized beta value	t	Model summary
Employee Motivation	-0.0756	-1.71	R=0.176 R ² =0.0310
Frugality	-0.0455	-1.45	Adjusted R ² = 0.0216; F=3.31
			p=0.039

A multiple regression analysis was conducted to examine the impact of economic scarcity on employee motivation and frugality behaviors among employees. The model explained a small portion of the variance in the dependent variables, R² = 0.031, indicating that approximately 3.1% of the variability in employee motivation and frugality behaviors could be attributed to economic scarcity.

The results of the regression analysis indicated that the intercept was statistically significant, providing a baseline measure of the dependent variables when economic scarcity is zero (p < .001). However, the coefficient for employee motivation was negative, with an estimate of -0.0756, and a p-value of 0.089, suggesting that higher levels of economic scarcity may be associated with decreased employee motivation, though this relationship did not achieve conventional significance at the α = 0.05 level.

Table 3: Gender difference in Economic Scarcity, Employee Motivation, and Frugality in the Workplace.

	Male		Female		U	p	MD
	M	Mdn	M	Mdn			
Total_ES	35.1	36	36.1	37	5185	.456	-1.00
Total_EM	76.3	74	74.0	73	5115	.366	1.00
Total_FW	61.2	56	60.5	55	5322	.666	1.00

An independent samples t-test, employing the Mann-Whitney U test, was utilized to investigate potential gender differences in economic scarcity, employee motivation, and frugality behaviors in the workplace.

For economic scarcity, the results indicated no significant differences between male and female employees, $U = 5185$, $p = 0.456$. This suggests that both genders perceive economic scarcity similarly within the workplace context. The mean ranks for males (Mdn = 36) and females (Mdn = 37) reflect comparable levels of economic scarcity experienced across genders.

In terms of employee motivation, the analysis also yielded no significant gender differences, $U = 5115$, $p = 0.366$. This result indicates that the motivation levels of male (Mdn = 74) and female (Mdn = 73) employees are not statistically distinct, suggesting that both groups exhibit similar motivational influences in the workplace environment.

The analysis for frugality behaviors among employees showed a U statistic of 5322 and a p -value of 0.666, further confirming that gender does not significantly influence frugality behaviors in the workplace, with mean ranks for males (Mdn = 56) and females (Mdn = 55) being similar. Indicating that the null hypothesis of no difference between genders cannot be rejected.

4. Discussion

The present study examined the relationship between economic scarcity and employee motivation, revealing a weak and non-significant negative correlation (Spearman's $\rho = -0.092$, $p = 0.182$). This finding aligns with previous research indicating that the impact of financial stress on employee behavior is complex and multifaceted. Wei et al. (2024) investigated the relationship between financial stress and job performance among Chinese employees. Their study found that financial stress was positively related to job performance, mediated by work engagement. However, this positive effect diminished when emotional exhaustion was high, suggesting that individual emotional states significantly influence how financial stress affects work outcomes. Research by Shah et al. (2015) emphasizes that economic scarcity can lead to a focus on immediate concerns, potentially limiting cognitive resources available for work-related tasks. This scarcity mindset may not directly diminish motivation but could affect the quality and direction of motivated behavior. Thus, rejecting the null hypothesis.

The present study examined the relationship between economic scarcity and frugality, revealing a weak and non-significant negative correlation (Spearman's $\rho = -0.075$, $p = 0.282$). This finding aligns with existing research suggesting that financial scarcity does not consistently lead to increased frugal behavior. A study by Shah et al. (2015) explored the psychological effects of economic scarcity in organizational settings. The researchers found that individuals experiencing financial scarcity often exhibit behaviors that may not align with traditional expectations of frugality. Instead of consistently conserving resources, these individuals might make decisions that do not necessarily prioritize long-term financial prudence. This suggests that economic scarcity can lead to complex behavioral patterns where frugality is not a guaranteed response. Research by Hilbert et al. (2024) investigated the impact of financial scarcity on financial avoidance behaviors. Their study revealed that individuals under financial strain were more likely to delay dealing with financial obligations, such as postponing expense payments, rather than addressing them promptly. This avoidance behavior indicates that financial scarcity can lead to procrastination in financial management, rather than promoting frugal practices. These studies suggest that the relationship between economic scarcity and frugality is influenced by various psychological and contextual factors. While it might be intuitive to assume that scarcity prompts frugality, the evidence indicates that financial stress can also lead to avoidance behaviors and decision-making patterns that are not necessarily frugal. Thus, we accept the null hypothesis.

The present study identified a moderate and statistically significant positive correlation between employee

motivation and frugality (Spearman's $\rho = 0.262$, $p < 0.001$). This finding suggests that higher levels of employee motivation are associated with increased frugal behaviors in the workplace. Similar relationships have been observed in prior research, providing further insight into this association. Adekanmbi and Ukpere (2021) investigated the influence of frugality and materialism on workplace deviant behaviors. Their study revealed that employees exhibiting higher frugality were less likely to engage in deviant behaviors, implying that frugal employees tend to act more responsibly within the organization. While the primary focus was on deviant behaviors, the underlying implication is that frugality, potentially driven by intrinsic motivation, aligns with positive workplace conduct. Fiorini and Sammut (2023) examined the relationship between work motivation and performance in a foodservice organization. They found that higher levels of autonomous motivation were associated with better task performance and contextual work behaviors. Although frugality was not directly measured, the study suggests that motivated employees are more likely to engage in behaviors that benefit the organization, which can include resource-conserving actions indicative of frugality. Thus, rejecting the null hypothesis. A multiple regression analysis was conducted to examine the impact of economic scarcity on employee motivation and frugality behaviors among employees. The results of the regression analysis indicated that the intercept was statistically significant, providing a baseline measure of the dependent variables when economic scarcity is zero ($p < .001$). The findings suggest that economic scarcity did not significantly influence employee motivation or frugality behaviors in this sample, as the model did not yield statistically significant results either for the model fit or for the individual coefficients. This highlights the need for further research with a more robust model to better understand the factors affecting employee motivation and frugality behaviors in workplace settings. Research by Nowfal and Sreejith (2024) investigated the effect of financial precarity on employee engagement and innovative work behavior in India and found that financial worry negatively affected employee engagement and innovative work behavior, with self-esteem mediating the relationship between financial resources and financial worry. In China, a study investigated the connection between job performance and financial stress. The findings demonstrated that work engagement acted as a mediating factor between financial stress and job performance, but this positive effect diminished when emotional exhaustion was high (Wei et al., 2024). This highlights the role of emotional states in moderating the impact of financial stress on employee performance. Thus, partially rejecting the null hypothesis.

The current findings indicate that gender does not significantly affect economic scarcity perceptions, employee motivation, or frugality behavior. This aligns with recent studies that emphasize context and individual psychological factors over demographic variables like gender. For instance, Wittekind et al. (2021) concluded that work motivation is more strongly driven by job characteristics and autonomy than by demographic factors, including gender. Furthermore, Tang et al. (2018) reported that while there are occasional gender differences in financial attitudes and behaviors, these differences often become statistically insignificant when controlling for contextual variables like income, education, and job security—factors that were not the focus of the current study. The absence of gender effects in this study could also reflect broader societal shifts, as suggested by Fiksenbaum et al. (2021), who argue that evolving workplace dynamics and increasing gender parity in professional roles have minimized traditional differences in workplace behavior, especially regarding intrinsic motivation and responses to financial constraints. Thus, we accept the null hypothesis.

5. Conclusion

This study assessed the impact of economic scarcity on employee motivation and frugality through correlation and regression analyses. Results indicated weak negative correlations between economic scarcity and both employee motivation (Spearman's $\rho = -0.092$, $p = 0.182$) and frugality (Spearman's $\rho = -0.075$, $p = 0.282$), suggesting minimal significant effects. The regression analysis corroborated this, showing that economic scarcity explained only 3.1% of the variance in employee motivation and frugality ($R^2 = 0.031$), with a non-significant negative coefficient for motivation (-0.0756 , $p = 0.089$). Conversely, a positive correlation was found between employee motivation and frugality (Spearman's $\rho = 0.262$, $p < 0.001$), indicating that motivated employees tend to demonstrate more frugal behaviors. Thus, while economic scarcity had limited influence, enhancing employee motivation could promote resourcefulness within organizations. Future studies should employ broader methodologies to further explore these dynamics. Overall, the findings underscore that while economic scarcity may have limited effects on employee motivation and frugality, fostering intrinsic motivation among employees could significantly enhance frugal practices in organizations. The study highlights the importance of developing strategies to enhance employee motivation to promote resource-conserving behaviors, thereby contributing to a more productive workplace.

6. Implications

Organizations should prioritize initiatives to enhance employee motivation, as higher motivation is linked to increased frugality, fostering a culture of resourcefulness. The findings indicate the need for workplace policies and support systems that address employee financial wellbeing, recognizing the complex effects of economic scarcity on motivation. Adjustments in resource allocation towards training and development can improve employee engagement and encourage responsible behavior, rather than solely focusing on alleviating financial strain.

7. Limitations

- **Sampling Bias:** The use of convenience sampling limits generalizability, potentially introducing selection bias that affects the representativeness of the findings.
- **Cultural Context:** The study may not account for cultural and contextual variations that can influence employee behavior, potentially limiting broader applicability.
- **Language Barrier:** Excluding non-English speakers might reduce sample diversity, overlooking insights from a broader employee demographic.

8. Future Research

Future research should further explore these dynamics, utilizing more comprehensive models and varied populations to better ascertain the underlying factors influencing employee motivation and frugality across different economic landscapes.

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