



# RESTRUCTURING AND EMPLOYEE WELL-BEING

## MAIN FACTS

### Introduction

Restructuring is a permanent feature of today's economy. Through restructuring firms want to enhance their competitiveness and profitability in regional and global markets. The PSYRES-project (*Psychological health and well-being in restructuring: key effects and mechanisms*) aims were:

- to gain insight into the impact of different types of restructuring on the psychological health and well-being of the employees who are employed before, during and after restructuring;
- to examine the pathways through which restructuring affects well-being, for example, the role played by worker involvement and support from the supervisor during the restructuring process;
- to determine which subgroups of employees are at risk of developing psychological health problems and would need special attention during organisational changes;
- to identify effective preventive actions and practical strategies to minimize the negative impact of restructuring and foster positive outcomes.

To reach these goals information was gathered in four countries, Denmark, Finland, the Netherlands and Poland. This factsheet present the main results of the PSYRES project.

### What is restructuring?

Restructuring can be defined as an organizational change that is much more significant than a commonplace change and affects at least a whole organisational sector or an entire company rather than focusing on peripheral changes in work practices (Kieselbach et al., 2009).

#### Forms of restructuring

- Relocation: The activity stays within the same company, but is relocated to another location within the same country.
- Offshoring/delocalisation: The activity is relocated or outsourced outside the country's borders.
- Outsourcing: The activity is subcontracted to another company within the same country.
- Bankruptcy / closure: An industrial site is closed or a company goes bankrupt for economic reasons not directly connected to relocation or outsourcing.
- Merger / acquisition. Two companies merge or a company is undertaking acquisitions which then involve an internal restructuring programme.
- Internal restructuring: The company undertakes a job-cutting plan or other forms of restructuring that are not linked to a type as defined above.
- Business expansion: A company extends its business activities, hiring new workforce.

(European Monitoring Centre on Change, 2011)

### What are effects of restructuring on employee well-being?

Earlier research has shown that restructuring has a negative impact on health and increases risk factors that lead to poor health. Research also shows that restructuring has an impact on the attitude of employees towards their work. For example, job satisfaction and job involvement are found to decline as a result of restructuring.

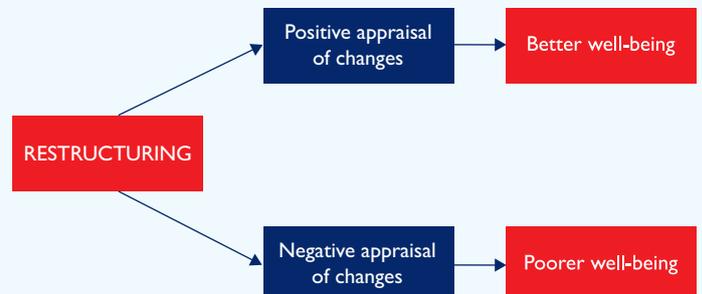
The PSYRES results show several negative effects of various types of restructuring:

- Employees who undergo a change in organisational ownership experience more job insecurity even five years later compared to those with no such experience.
- Prolonged restructuring (i.e. restructuring experienced over at least two years) has a negative impact on well-being. It leads to lower job satisfaction, lower dedication, poorer general health, higher emotional exhaustion and higher sickness absenteeism. Results indicate that people do not get used to restructuring in terms of well-being
- Experience of a declined position leads to lower well-being: increased emotional exhaustion, stress and cynicism, as well as decreased work ability.

### Always negative effects? No!

Although in most cases, the effects of restructuring are negative, restructuring may also lead to experienced improvement in one's own job position, which in turn is linked to better well-being.

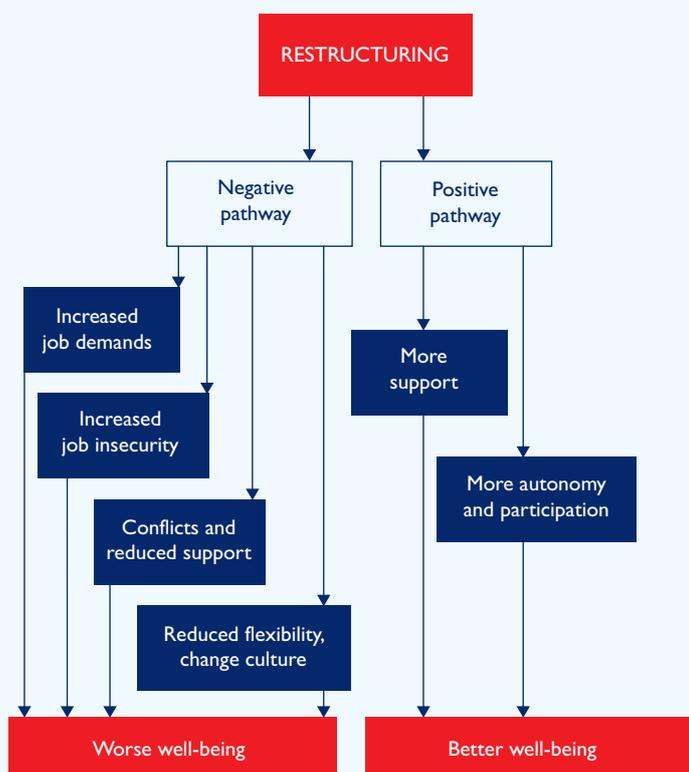
Perceived improvement in one's own position after restructuring led to less emotional exhaustion, cynicism and stress and to better work ability. It is also linked to higher job satisfaction, innovative behaviour and work engagement.



## What are the pathways through which restructuring affects well-being?

Restructuring affects employees' well-being not only directly, but also indirectly through several work-related factors. For example, restructuring increases the job demands, emotional demands and time pressures for employees, and which, in turn, decreases employees' well-being. It was also found that the change process is a challenge for social relations within the organisation. Supervisory support decreases during change, while conflicts in supervisor-subordinate relationships and between colleagues become more common. This decreased social support in turn, has a negative effect on well-being. Another consequence of an organisational change is an increase in job insecurity among employees, especially during downsizing. Job insecurity in turn reduces employees well-being. Despite the fact that restructuring usually involves change, we found that restructuring has a negative effect on the flexibility and openness to change in organisations which in turn negatively affects well-being.

A positive path is also possible. If restructuring increases the autonomy of employees, the level of participation in decision making and support from organisation, well-being increases.



## Who is the most vulnerable?

Certain groups of employees are more vulnerable than others to the adverse well-being effects of restructuring. Employees at risk are those:

- whose well-being is already low before the organisational changes
- whose personal resources are weaker, e.g.:
  - o people are not confident that they have the needed work-related skills and abilities
  - o they use emotion-focused coping trying to reduce the negative emotions associated with stress, like anxiety or anger, rather than task oriented coping with the aim of improving their own situation;
- who have a lower chance of getting a new job.

## How to minimize the negative impact of restructuring on well-being and foster the positive ones?

The most important factors in minimizing the negative impact of restructuring and fostering the positive ones are:

- **Communication:** a communication strategy should be developed that includes elements at the individual, group, management and organisation level
- **Participation** ensures using the expertise of employees and ensuring ownership; also middle managers must be given the authority to make real changes at their level to adopt the overall strategies to the needs and abilities of their groups and the individuals within them
- **Support** strategies must be set in place that analyse the needs of employees, groups and middle managers and ensure that they have the abilities to cope with change, but also to undertake the new responsibilities that arise as a result of the new situation in the organisation.

(see: the PSYRES factsheet 2)

## Further information

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