

European Expert group on Health in Restructuring
Thomas Kieselbach, Claude Emmanuel Triomphe et al.:

Health in Restructuring (HIRES).

Recommendations, National Responses and Policy Issues in the EU

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Restructuring has become a daily practice in both private and public sectors in the EU. But often restructuring processes fail to produce the intended effects of secured or increased organizational profitability. On the contrary restructuring puts the physical and psychosocial health of all organizational members at risk. To limit the risks of enterprise restructuring effectively, several groups of actors at the individual, enterprise and societal level have to collaborate towards the implementation of healthier change procedures and to create a “social convoy” in occupational transitions for workers affected by dismissal.

The European Expert Group HIRES on Health in Restructuring was coordinated by Prof. Dr. Thomas Kieselbach from the University of Bremen and supported by DG Employment of the European Commission. It presented with its report a concise overview of the effects of enterprise restructuring and the social frameworks and change procedures that should be considered for “healthier restructuring”. With its policy recommendations and the case studies of innovative approaches on a company and regional level the report addresses policy makers, governmental structures like labour inspectorates or federal institutes, unions, managers, occupational health and safety personnel, shareholders and workers alike. The public reception of the HIRES recommendations on Health in Restructuring was impressive all over Europe and across different institutions, stakeholders and professions. They were conceived before the economic crisis started but the development of the economies increased public awareness for the problems addressed in the HIRES report. It was disseminated on an international level within several scientific communities as well.

The success of HIRES led to the follow-up project HIRES Plus (co-ordinated by Dr. Claude Emmanuel Triomphe (ASTREES, Paris) and Prof. Dr. Thomas Kieselbach, Bremen), which organized in 13 EU countries national workshops in order to increase awareness of main actors, discuss HIRES conclusions and to test them in the light of the national consultation process, discuss possible ways to include health as an issue when restructuring takes place and to develop networks at national and European levels.

Key words: enterprise restructuring, health, social convoy, European frameworks, healthier change procedures, case study reports, national responses

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Health in Restructuring: Innovative Approaches and Policy Recommendations (HIRES)

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Follow-up project:

Dissemination and Consultation of the HIRES Recommendations in 13 EU Countries (HIRES PLUS)

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Introductory remark

Restructuring has become a daily practice in both private and public sectors in the EU. But often restructuring processes fail to produce the intended effects of secured or increased organizational profitability. On the contrary restructuring puts the physical and psychosocial health of all organizational members at risk. To limit the risks of enterprise restructuring effectively, several actors at the individual, enterprise and societal level have to collaborate towards the implementation of healthier change procedures and to create a “social convoy” in occupational transitions for workers affected by dismissal.

The European Expert Group HIREs on Health in Restructuring was coordinated by Thomas Kieselbach from the University of Bremen and supported by DG Employment of the European Commission. It presented a concise overview of the effects of enterprise restructuring and the social frameworks and change procedures that should be considered for “healthier restructuring”. With its policy recommendations and the innovative approaches on a company and regional level the report addressed policy makers, governmental structures like labour inspectorates or federal institutes, unions, managers, occupational health and safety personnel, shareholders and workers alike.

The public reception of the HIREs recommendations on Health in Restructuring was impressive all over Europe and across different institutions, stakeholders and professions. They were conceived before the economic crisis started but the development of the economies increased public awareness for the problems addressed in the HIREs report.

The success of HIREs led to the follow-up project HIREs Plus (co-ordinated by Claude Emmanuel Triomphe (ASTREES, Paris) and Thomas Kieselbach, Bremen), which organized in 13 EU countries national workshops in order to increase awareness of main actors, discuss HIREs conclusions and to test them in the light of the national consultation process, discuss possible ways to include health as an issue when restructuring takes place and to develop networks at national and European levels.

The second edition of the HIREs report is due to the success of the first edition published in 2009 in English, French and German (the full policy recommendations chapter was beside this translated into other 5 European languages as well as into Chinese and Japanese) and of the dissemination and consultation process initiated by the follow-up project HIREs Plus in 13 EU countries.

The global economic crisis in which Europe is still involved made a large audience very sensitive to the issues of health and to the ways change and restructuring is managed. Therefore the second edition includes:

- The original HIREs report as it was published in April 2009;
- The main outcomes of HIREs Plus in terms of national overviews and responses, common policy issues and dissemination activities.

Executive Summary of the HIRES report

The health dimension of enterprise restructuring is a widely neglected area of research, intervention and public concern. The HIRES expert group (supported by DG Employment in the PROGRESS programme) has examined and discussed a wide range of experience from different countries and from related European projects (DG Research, ESF, DG Employment, DG Health and Consumer Protection) in which the members of this group have been involved over the last decade. In addition to this established organisational restructuring, including evidence about the effectiveness of steps taken to limit the adverse health effects. Finally, external experts from company and regional levels were invited to give presentations in a series of workshops in 2008, further enhancing the range of experience the group could call on.

Restructuring is taking place in every competing organisation and therefore affects all European societies. Restructuring is understood to mean organisational change that is much more significant than commonplace changes. Restructuring affects at least a whole organisational sector or an entire company rather than peripheral alterations to a business. These can manifest themselves in the forms of closure, downsizing, outsourcing, offshoring, sub-contracting, merging, delocalisation, internal job mobility or other complex internal reorganisations. Besides or through its effects on employment, restructuring also has a vast impact on the health of employees, organisations and communities. Moreover, health is a central aspect that feeds back into company employment and productivity. Thus, maintaining health is a central challenge for all actors within the processes of restructuring and it is this often neglected aspect of organisational transitions that the HIRES expert group has addressed.

The HIRES expert group attempts to answer the following questions: What data is available for monitoring the prevalent forms and effects of organisational restructuring at the European and national level? How are the effects of restructuring on individual health and organisational performance interrelated? What European policies might guide restructuring processes to reduce the negative health effects of restructuring best? How can the different groups of actors cooperate best to maintain organisational, employee and community well-being? Which innovative restructuring approaches optimally account for the issue of health?

A lack of specific knowledge regarding the effects of restructuring on the health of employees has been recognised by the HIRES group as problematic. This deficit of understanding had already been diagnosed in earlier DG Employment projects, such as the MIRE project: Monitoring Innovative Restructuring in Europe, 2005-07. Accordingly, the HIRES report lists some available sources of surveillance data on the topic of restructuring from the European and some national levels. The quality and relevance of these monitoring systems for the issue of health in restructuring is limited, as is their coverage within the EU. An overview about the scientific evidence about restructuring effects on individual health and organisational performance is also provided.

The most prevalent notion of restructuring remains that of a crisis which puts current working conditions and indeed employment at stake. On top of the challenges and struggles due to the changes in the organisational routines itself, this causes uncertainty and irritation at all organisational levels even when jobs might in fact be less insecure than perceived. Therefore the proactive incorporation of restructuring as a “normal” tool of organisational development should bring the following issues onto the agenda permanently: For the employees to decrease the issue of job insecurity, two strategies seem to be advisable:

- a) joint efforts of the individual employee and the organisation to secure sustainable employability, which limits the severity of potential job loss and
- b) transparent and fair decision processes in preparation for and the course of an organisational restructuring to limit the uncertainty.

The project aims to raise awareness of the health implications of restructuring on the directly affected victims in the case of downsizing, on those remaining in the company after downsizing (survivors) and on the managers responsible for guiding and executing the process of restructuring. The health effects go beyond these groups as they also affect the families of victims and survivors as well as the communities in which the restructuring occurs as a whole. The HIREs group would like to broaden the perspective of the traditional research on unemployment to all groups affected by the required social and economic changes.

As this report shows, these groups also need public attention and support. It concludes that occupational transitions often exceed the personal resources available to cope with these challenging life events. Therefore, we have developed the concept of a “social convoy” in occupational transitions, whereby society as a whole and all actors involved have to take on a social responsibility to allow for a smoothening of this process.

The HIREs Report discusses existing and required policies for the European level and reviews the role of institutions across Europe. The roles of all relevant social actors are critically reviewed. Our proposal for a social dialogue on health in restructuring is accompanied by specific suggestions for the active participation of each social group within the restructuring processes.

The tools, instruments and practices, as well as the considerations regarding the roles of social actors and OSH institutions presented in the HIREs Report are of use to: employers, other social partners and policy makers on a European, national and regional level. Our plea for a re-prioritization of health in restructuring may contribute to the reinternalisation of the health costs involved into the debate on restructuring. The present financial markets crisis – the effects of which on the real economy can, at present, be only roughly estimated on a very preliminary and vague basis – will reinforce the necessity to carefully monitor and manage the process of restructuring by using and applying tools, instruments and practices that may help ensure less socially damaging changes.

The report summarises the current state of affairs in terms of good practices, innovative tools and instruments to secure individual health and organisational performance in restructuring. The MIRE project already showed how health can become a central issue prior to or during restructuring which needs to be addressed by the organisation and other institutional bodies responsible for managing or supporting the restructuring. Following this line, the HIRES project gathered and discussed cases of good practice in regard to the issue of health in organisational restructuring to subtract specific lessons to be learned and practices to be adopted. The innovative aspects and specific lessons learned from the selected cases in regard to health prevention are in short:

- Socially sensitive restructuring (like the ILO-SSER concept demonstrates) is a first step to secure individual health during restructuring.
- “Healthier restructuring” needs conscious stakeholders, especially shareholders and leaders.
- Organisational change is always a potential stress factor: Redundancies are often integral to restructuring.
- Employees stress levels as early warning signs indicate the need for health specific prevention efforts.
- Health monitoring and prevention need to be coordinated on the basis of concrete protocols.
- “Healthier restructuring” needs a proactive health policy.
- A proactive health policy needs collaborative health management within the organisation.
- External collaborations can be utilised to guarantee a proactive health policy.
- Organisational restructuring and related health effects can have a major impact on the community level.

The evidence examined by the HIRES group demonstrates categorically that the process of restructuring can have a significant detrimental effect on the health of employees who are affected, including the so called survivors of restructuring (those who remain in the company after restructuring). It is also clear that there are steps that can be taken by employers and other social actors to help mitigate the negative effects of restructuring on the health of employees and be of benefit to those employees, the employer and wider society.

Based on the experience of the expert group, analysis of the case studies and that of the external experts who shared their experiences with the HIRES group, we have derived a set of 12 recommendations for a future European framework for the development of healthier ways of enterprise restructuring. Thus, we want to enlarge the predominant concept of health in restructuring that narrowly limits itself to the economic dimension of organisational change. We attempt to draw the attention to the outcome

of a counterproductive neglect of long-term effects on the health of individuals and the economic performance of companies and societies as a whole.

The 12 HIREs policy recommendations refer to the following areas:

1. Monitoring and evaluation
2. Direct victims of downsizing: the dismissed
3. Survivor reactions and organisational performance
4. Managers responsible for the restructuring process
5. Organisational anticipation and preparation
6. Experienced justice and trust
7. Communication plan
8. Protecting contingent and temporary workers
9. New directions for Labour Inspectorates
10. Strengthening the role of Occupational Health Services
11. Specific support for SMEs in restructuring
12. New initiatives needed in Europe: CSR, routine health promotion, discourse on career change and employability

A concept of enterprise restructuring that aims at preserving certain features of a European social model of employment relations with the new demands of a globalised competition has to take into account not only economic indicators of the health of a company but also the individual effects of restructuring on the workforce. Moreover, such a concept needs also to reflect on the considerable impact on the long-term competitiveness of the economy. This new understanding broadens the perspective from a unilateral shareholder perspective to a more balanced view on the interests of all stakeholders involved. Such a broadened perspective has the goal of a socially responsible restructuring.

The HIREs recommendations, even though they are based on comprehensive material and broad knowledge, have to be brought down to the national, regional and company level for the relevant issues to be refined. It will therefore be the main task of the follow-up project of HIREs – which has already found the support of DG Employment, the HIREs PLUS project – to contextualise the results in the light of concrete experience and backgrounds of 13 countries including a wider range of countries from Western and Eastern Europe. By translating our expertise to the different national levels, different stakeholders and actors, as well as OSH institutions a process of dissemination and consultation can take place that has the potential to enrich the HIREs concept and to increase awareness of these issues in more member states of the EU.

1. Introduction

1.1 The rationale and the actual background of the DG Employment project “Health in Restructuring” (HIRES)

The DG Employment project “Health in Restructuring” (HIRES)¹ intends to put the health dimension on the European agenda for the thorough going changes in the European labour markets that are leading to major restructurings. In other words, the main goal of the HIRES project is to stimulate and inform discussions of European policy makers as well as companies’ share- and stakeholders to develop a new understanding of organisational restructuring. As a central aspect of this new understanding, the project attempts to commit the relevant actors to permanently and constructively incorporate the issue of individual and organisational health into the restructuring process. The HIRES project will demonstrate that this will lessen the health burden for the individuals while being economically beneficial. As the actual financial crisis and its impact on the “real” economy that developed in the course of the HIRES project will centrally affect our work we will include some preliminary considerations regarding its effects as well.

The aims of HIRES

To achieve this goal, the HIRES project has generated policy recommendations and advocates tools and practices on the basis of scientific evidence and examples of restructuring practice. The recommendations are grounded on:

- a comprehensive documentation of empirical evidence of the effects on health and well-being of survivors, “victims”, and the related community due to organizational restructuring,
- likewise a documentation of the relations between restructuring effects on health and productivity,
- a critical investigation of the current state of affairs in terms of approaches, tools and instruments for the health management in restructuring,
- a review of restructuring examples from various European member states to define gaps between good and common practice and, in addition, to highlight examples of good practice for healthy change management,
- a critical analysis of the roles of all relevant social actors in restructuring as well as the description of innovative tools and practices,

¹ The expert group was co-ordinated by Thomas Kieselbach; project management: Andries Oeberst (both IPG, U Bremen, Germany); project partners: Elisabeth Armgarth (HRM Ericsson, Sweden), Sebastiano Bagnara (U Sassari, Italy), Marc DeGreef (Prevent, Belgium), Anna-Liisa Elo (U Tampere/FIOH, Finland), Stephen Jefferys (WLRI, Metropolitan U, UK), Cateljine Joling (TNO, The Netherlands), Karl Kuhn (BauA, Germany), Karina Nielsen (NRCWE, Denmark), Nikolai Rogovsky (ILO, Geneva), Benjamin Sahler (ANACT, France), Greg Thomson (UNISON, UK), Claude Emmanuel Triomphe (ASTREES, France), Maria Widerszal-Bazyl (CIOP-PIB, Poland).

- a catalogue of existing and newly developed policies which may need to be amended and a review of the role of institutions across Europe in this regard.

To pursue these objectives the HIRES project gathered European experts on restructuring and health from social sciences, national institutes, companies, unions and other social actors. The five workshops held by the expert network during 2008 consequently focussed on: the empirical evidence on health effects of restructuring, common (OHS and HR) tools and practices for health in restructuring, examples of good restructuring practice, roles of social actors and relevant European social frameworks.

Doing so, the HIRES project addressed the questions and objectives raised in the PROGRESS PROGRAMME “*Restructuring, Well-being at Work and Financial Participation*” launched by the DG Employment, Social Affairs and Equal Opportunities of the EU Commission in 2007 (SEC, 2008). In particular the network focused on “*Working Conditions: Adaptation to change and restructuring, health and safety, and well-being at work*”.

With restructuring we mean an organisational change that is much more significant than commonplace changes. These changes should affect at least a whole organisational sector or an entire company in the forms of closure, downsizing, outsourcing, off shoring, sub-contracting, merging, delocalisation, internal job mobility or other complex internal reorganisations.

Finding ways to cope with the challenges of the globalised market conditions and the increased competition with countries outside of the EU, which have different regulations regarding employment, industrial relations and Occupational Health and Safety (OHS) standards, has primarily lead the debate on enterprise restructuring in the EU. The concept of health has been employed in restructuring predominantly in a rather narrow sense, i.e., in the sense of the “healthy organisation” in regard to the economic dimension of global competition. What has been widely neglected, however, is the concept of individual employee health – the health of those, who as a result of restructuring are forced to leave the company after the organisational change, the “victims of layoffs”, and of those who remain in the company after restructuring, the so-called “survivors-of-layoffs”. They experience considerable stress levels as well due to the changed requirements, new task designs with new routines and increased job insecurity. The first group, the victims of downsizing processes, has received broader attention in the traditional unemployment literature with the specific focus of the EU discourse on the risks of social exclusion being associated with the experience of dismissal and the threat of remaining long-term unemployed. The second group did not receive much attention up to the last decade as this also was a rather new topic of research.

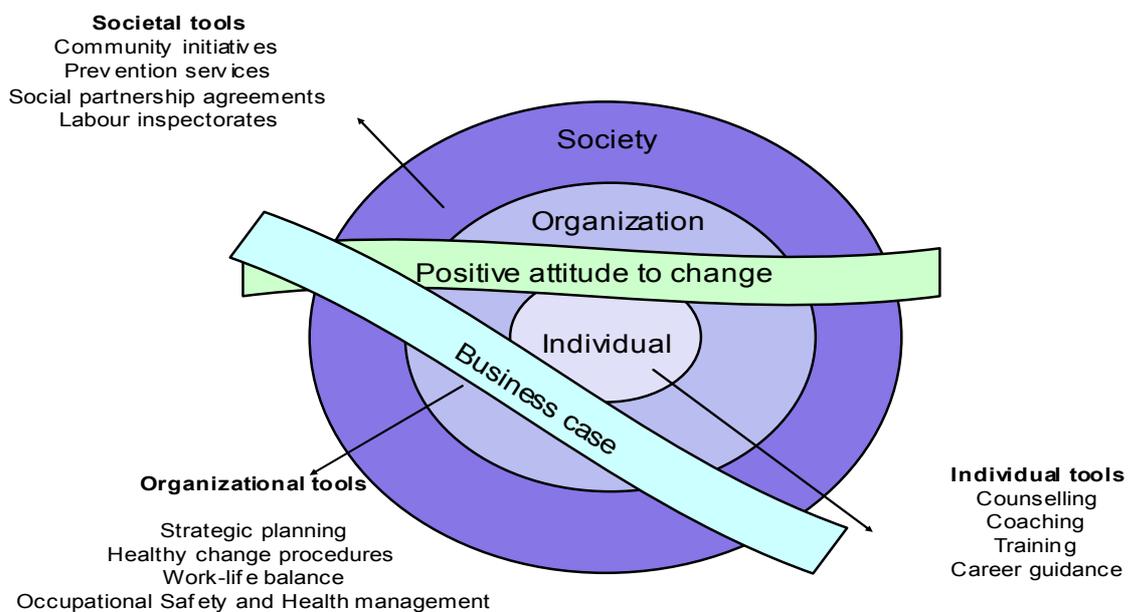
Restructuring is a period of turbulence at any level of an organisation. It also affects the management and the top governance levels. Managers may end up being either victims or survivors, but they certainly always enter a period of power struggle that initi-

ates well before restructuring is openly declared, and continues throughout the whole restructuring process.

Indeed, restructuring has to be seen as the outcome of a process by which the governance of an organisation comes to admit and recognises that something has to be changed. Along this process, it has to be established not only what has to be done, but also what did not lead to a successful outcome and who was responsible for it. Thus it determines who will guide the restructuring process.

This is not a matter of pure, rational decision making, but often it is perceived as a “social war”. It implies to setting up strategies, building up power alliances, preparing tactics, finding scapegoats, battling, winning and losing, cheating, and diffusing false or partial information. The main reasons why communication processes seem so confusing before and during restructuring – and practices like mobbing are often adopted – are rooted in such power struggles. Miscommunication and those negative practices mentioned above are symptoms that a struggle is taking place, which has ‘commanders’, but also involves ‘soldiers’ who seldom know for whom and with whom they are fighting. Sometimes they even are not aware of the war they are in. Our recommendations try to address these issues in order to avoid as much as possible these organisational side effects of restructuring. Unfortunately, these phenomena are rarely considered in discussing and studying restructuring, although they play a crucial role both in the resulting balance of power and the type of solution chosen.

Figure 1.1: The onion model



But besides members of the organisation under restructuring several other groups have to be taken into account in regard to the health effects. These are the families of the

victims and of the survivors as well as the communities that are indirectly affected. Thus, tools, instruments and practices that aim to minimise the adverse effects of restructuring on health may target several layers – inside and outside the organisations. To provide an overview of such interventions the HIREs expert group developed the ‘onion model’. This outlines three levels. 1) The societal level – which includes both EU, national and community strategies for considering health in restructuring. Actors at this level include the labour inspectorates, the social partnership agreements and prevention/occupational health services. This level is described in chapter 3. 2) The organisational level which includes the design, management and organisation of work within organisations. These include occupational safety and health management, strategic planning and healthy change practices. These are described in the beginning of chapter 4 and finally, 3) Individual level practices – these include initiatives directed towards the individual employees, e.g. coaching, counselling and training. These are also described in chapter 4.

It is important to note that it is a joint responsibility between the partners outside the organisation, the organisational management and the employees to join forces to ensure a restructuring process with as little detrimental effects as possible. As such it is important to promote a positive attitude to change and that attention is paid to the necessity of change to ensure the organisations’ survival. An overview of the onion model is presented in figure 1.1.

The actual financial and economic crisis and its effects on restructuring

The restructuring of work organisations is commonplace across Europe. This is the result of long term trends. Consequently, restructuring is likely to increase in prevalence irrespective of the current global financial crisis. Enterprises in most European countries are facing the same external pressures that lead to continuous turbulence and change in markets and increasing intensity of competition. There are some convincing reasons to expect such turbulence to continue and intensify, among them: globalisation of markets, commerce and financial flows; deregulation and trade liberalization; rapid technological changes; the shift from an industrial to a knowledge- and information-based economy; the threats to environmental sustainability; changing expectations and value systems.

However, restructuring and its impact now has an added relevance and urgency in the public debate due to the global financial crisis – a crisis that is already causing recession in the economies of many countries. Banks are restructuring or are nationalised as a direct result of the crisis. Other enterprises are restructuring in response to the economic recession brought about by the global financial crisis. Many governments are now intervening directly with financial packages on an unprecedented scale in an effort to ameliorate the effects of the recession.

On the other hand, if governments are prepared to use hundreds of billions of dollars² of taxpayers' money to ameliorate the recession there may be scope for other forms of intervention aimed at protecting workers. The most obvious example of this is the meeting of the G20 group of nations in November 2008 which has called for a 'broad' policy response to the global financial crisis. Some analysts have linked this process to the Bretton Woods agreement which set the post-war architecture for global finance. While at a more local level, some organisations have already articulated demands for both government and employers based on the crisis in the financial sector. One thing seems clear, a purely financial response to the global financial crisis and the consequent recessions in so many economies is unlikely to satisfy the people across Europe, who will not only suffer the consequences of the recession in terms of job losses and reduced living standards, but will also have to pay for the financial intervention in terms of higher taxes or reduced public spending in the long term.

The prescriptions for dealing with the negative health impacts of restructuring set out in the HIREs Report are particularly relevant at a time when the global economy faces the most dramatic downturn since the 1930s³. It may be argued that the nature of the crisis and its financial impact is such that employers who are fighting for their very survival can ill afford to worry about the health impact of restructuring. Yet, as the HIREs report shows, the effects can be very tangible and damaging both for the individual, the employer and wider society.

Potentially the effect on health of restructuring in the current economic crisis could be of pandemic proportions. The International Labour Organisation claims in their report 'Global Employment Trends January 2009' that registered unemployment could increase in 2009 by up to 51 million people globally.

Concerns about the impact of the crisis on jobs can already be detected on the streets in demonstrations in Iceland, Greece, France, Russia, Great Britain and Ireland. It is difficult to detect a single coherent set of demands in these demonstrations. However, the underlying themes are clear people are worried about their welfare, but all they see Governments doing is propping up the banks.

Their frustration is perhaps understandable. Most commentators blame the banks for causing the crisis by high risk lending that has left them exposed and unable to maintain liquidity. Faced with the so called 'credit crunch' most governments have had little option but to support the very institutions responsible for the crisis. In October 2008 European governments have pledged over €1.5 trillion to support the banking system. Even this may not be enough according to the financier George Soros speaking at the World Economic Forum in Davos in January 2009, where he suggested that a further \$1.5 trillion still needs to be injected into the banking system.

² US national debt is forecast to reach \$10 trillion in the financial year 2008/9 as a result of the intervention packages agreed by the US Government. The EU are proposing a coordinated intervention in the same financial year of €200 billion (decision taken on November 26, 2008).

³ IMF World Economic Outlook. October 2008.

People who now face uncertainty about their employment are naturally asking what government is doing for them. Supporting the banks may be a necessary answer, but it is not seen as a sufficient answer.

From a policy perspective, an intervention at a European level that addresses the immediate issue of the negative health impacts of restructuring, at a time when the scale and pace of restructuring will increase dramatically, and also recognises that the costs of the negative health impact of restructuring would otherwise be picked up by hard pressed public provision, seems attractive. It is therefore both timely and appropriate to look at the policy implications of the link between health and restructuring taken up by the HIREG Group.

Current economic and financial crisis presents new challenges to policy makers, enterprise managers, as well as workers. It re-emphasizes importance of their joint efforts to minimize social and economic costs of restructuring. It seems like this crisis, due to its creeping nature, will result in a combination of permanent and crisis-like restructuring. Therefore, the effects on workers and health outcomes will be multiplied to a new proportion.

Particularly destructive effect can be predicted for SMEs and workers, employed by them. This is a result of a lesser security and protection that such enterprises enjoy, combined with the consequences of policy of some European countries to create new, not always well protected jobs through facilitating financial assistance to potential entrepreneurs, which was not necessarily supported by adequate skills and capacity building.

Thus, current crisis calls for the research agenda that will build upon the recommendations contained in this report and will also move forward by encouraging research in a number of areas, including:

- relative importance of policy-level and CSR response to crisis,
- effectiveness and efficiency of the government intervention in industrial, financial and enterprise restructuring, and its implications for the workforce,
- the role of social dialogue in handling the consequences of crisis,
- the relationship between the way restructuring is carried out and the structure of corporate ownership,
- policy efforts to provide assistance to SMEs and their workers.

The empirical evidence points to manifold psycho-social risks in the different phases of the restructuring process. The poorer mental health and distress already in the anticipatory period together with riskier health behaviour is associated with relevant changes in organisational behaviour, such as reduced job satisfaction, increased absence and intention to leave, as well as increased accident and injury rates. Those who leave the company often report better mental health than those remaining (survivors), whereas those who had to leave and remain unemployed show a wide variety of dete-

rioration of their health (with special focus on depressive disorders) also contributing to a reduced employability in the future.

A concept of enterprise restructuring, that aims at preserving certain features of a European social model of employment relations with the new demands of a globalised competition has to take into account not only economic indicators of the health of a company but also the individual effects of restructuring on the workforce which will show a considerable long-term impact on the competitiveness of the economy as well. This new understanding broadens the perspective from a unilateral shareholder perspective often pursued in the restructuring efforts to a more balanced view on the interests of all stakeholders involved in the full process of company adaptation and accommodation to the globalised economy with the goal of socially responsible restructuring.

A central reason for this shift can be seen in the empirical evidence that restructuring processes which neglected these issues often produced a vicious circle of restructuring that included a counterproductive loss of productivity after restructuring, as the ILO has indicated. This relevant outcome can be seen as a supplementary motive for the increased attention in these mechanisms of a responsible management driven by enlightened self-interest. The development of closer links between change management and stress prevention interventions based on already existing health promotion approaches can be seen as a constructive response.

This additional perspective brought into the PROGRESS programme of DG Employment in the 2007 call was strongly stimulated by results received in an earlier ESF article 6 project on “Monitoring Innovative Enterprise Restructuring in Europe” (MIRE). Although not focussing on the health dimension of restructuring from the beginning it resulted in pointing to the often neglected health aspects of these changes, and searched for ways of analysing processes where the effects and approaches to influence the health of the workers in a positive way in order to help them to adapt to organisational changes had been thoughtfully taken into consideration. By analysing barriers and potentials of taking the health issue into the agenda of the management of complex organisational changes there was one striking result that the full process could be managed in a smoother way and the outcomes could be achieved more effectively in case that the health dimension was considered from the beginning as a relevant issue and if it was integrated into the social dialogue of the social actors. This also produced the advantage of changing the notion of restructuring as an accident (due to the limitation to actual crisis management) towards a continuous process of organisational adaptation. In case that such a strategy is linked with a company and social strategy of a policy of sustainable employability it might open new ways of harmonizing the European model with the demands of the new labour markets.

1.2 Social convoy in occupational transitions

As the ESF project MIRE detected a wide lack of preventive strategies in Human Resources Management (HRM) and Occupational Health Services (OHS) and of specific

knowledge regarding the individual effects of restructuring on the dismissed and the surviving employees, it was considered to be helpful to gain additional evidence regarding the effects and the possibilities to influence such a process in a more balanced way. This can lead to the reduction of the hysteresis effect of unemployment ('the longer the unemployment lasts the more barriers to re-employment will develop') and help to overcome barriers to organisational change. At the same time it contributes to a socially responsible concept of a "social convoy" of occupational transitions that de-individualizes the transition itself by including the partial responsibility for these transitions into the concept of Corporate Social Responsibility (CSR), thus facilitating the coping process of the individuals involved (Kieselbach, 1998a).

The rationale of the concept of a social convoy in occupational transitions was developed especially for those who have to leave the company as a consequence of restructuring was based on the following assumptions (Kieselbach, 2004):

- Job loss and unemployment are capable of exceeding the personal resources necessary for the successful overcoming of these critical life events.
- Outplacement/replacement is part of a proactive strategy of primary prevention: anticipation of and knowledge about potential psycho-social damages will facilitate the process of coping with occupational transitions.
- Professional help as a form of social support in the process of the employment transition can alleviate the unemployment stress, allow or facilitate a constructive transition and prevent the development of psycho-social barriers to re-employment, thus reducing periods out of employment.
- The relationship between the professional as helper and the employee in transition as recipient of help will be more effective if their social interaction and the offer of help are based upon a legitimate claim and not on the self-definition of being in need of help.
- Effective professional help leading to appropriate re-employment can be experienced in retrospect as a form of retributive justice in the process of dismissal that is viewed by the affected employees as a form of social injustice (in the dimensions of experienced distributive, procedural and interactional justice).
- The assumption of social responsibility on the part of the dismissing company can contribute to the de-individualization of job loss and can also exert a positive influence on the survivors-of-layoffs remaining in the company.
- The integration of professional counselling in occupational transitions into a broader framework of sustainable employability including social and individual aspects (interactive employability) could create a more flexible and more competitive workforce that will not experience occupational transitions as a personal failure.

The increasing frequency of job interruptions or transitions by phases of non-employment, like unemployment, requalification and/or continuing education requires new coping competencies like personal initiative, self-reliance, and self-organisational skills as relevant individual prerequisites for coping with the challenges of the actual labour markets (Frese, 1996). On the side of society, however, we have to develop new concepts of a “social convoy” (Antonucci, 1985) for such transitional processes that are capable of buffering occupational transformations and discontinuities which exceed individual coping resources.

Individual coping with unemployment depends heavily on the attribution of blame and responsibility. People who have lost their jobs often gain the impression that the way they cope with unemployment and how they surmount it is only and exclusively considered a problem of personal responsibility. However, individual coping skills could experience significant support, when they are supplemented by organised offers of help which express that the individual responsibility, that should still remain central, is accompanied by various forms of social responsibility.

Outplacement counselling is organised as an external counselling and guidance which focuses on:

- labour market options,
- improving the individual coping with job loss and career re-entry,
- analysing potentials and deficits to be bridged by additional qualification measures.

These counselling concepts are based on the assumption that the efforts and expenses due to detailed guidance and counselling will turn out to be a useful investment. Such company-related counselling sometimes forms an integral part of employment contracts, guaranteeing employees the entitlement to counselling and guidance in the case of later separation from the organisation. Positive aspects of existing outplacement concepts are that they signal a degree of responsibility for layoffs on the side of the enterprises which are otherwise seen as being inevitable. Also they provide dismissed employees with the perspective of social support, with the help of professional counsellors, and with the opportunity to make extended use of the learning potential which is also inherent in such situations.

The aim of outplacement is to develop a concept for exiting the organisation in a manner regarded as fair by both sides (employer and employee) and to facilitate the transition into new employment (s. Kieselbach, 1997). Within a support framework that helps the individual to cope with redundancy on the basis of consultations with the individual - but also in conjunction with his family members - the individual's skills, abilities, competencies, and weaknesses are analysed, employment opportunities are discussed, and specific strategies for job applications are developed.

A plea for a change of discourse regarding occupational transitions

If society provides support and guidance to people going through transitions imposed to them by industrial restructuring, this can be experienced by those affected as a form

of compensation for subjectively experienced inequity. Counselling for the unemployed in the form of guidance through a transition must be freed from any stigmatising effects in order to ensure that the inhibitory barriers among the unemployed vis-à-vis seeking or accepting help are broken down.

Defining the relationship between the unemployed and society in terms of legitimate claims would greatly alleviate the psychosocial situation of the unemployed. They would no longer be the object of altruistic care and benefits, but partners requiring counselling and guidance during a transitional phase in their employment history (cf. Montada, 1994). A fundamental basis for their relationship towards society and its institutions would be the assumption that the costs of industrial restructuring - essential for maintaining the competitiveness and long-term survival of the economy - must be borne by the society as a whole on the basis of the solidarity principle and not thrust upon those individuals who are personally affected by such changes.

From the mental health perspective, the proposed change in discourse towards a normalisation of employment transitions involving temporary phases of unemployment might well produce a climate in which having to cope with the potential stressor job loss causes less psychosocial damage to the quality of life of the affected individuals.

The adaptation to a thoroughly changed economic reality that has already increased the frequency of individual occupational transitions should not be imposed in a unilateral way on the individual. The resulting personal problems of an increased degree of corporate efficiency, which implies a higher flexibility with regard to the labour market, should be accepted as being within the responsibility of the overall society and those companies undergoing processes of economic restructuring that include profound changes of their work force. Organisations have to develop environmental features that not only emphasise efficiency criteria but also facilitate individual attempts of coping with these new occupational demands without exceeding individual resources.

These considerations lead to an integrative concept of outplacement/replacement as a means of taking over social responsibility from side of the company, the labour administration, and the social services. Although also the individual has to develop new skills to cope with the increasing frequencies of occupational transitions, such as job loss, the burden of industrial restructuring cannot be borne by the individual alone. Often the personal resources of individuals are exhausted by the frequent requirements for adaptation. Therefore, concepts of a "social convoy" (Antonucci, 1985) have to be developed for facilitating transitions out of work, through (re)qualification, and back to work. Transition counselling creates advantages for the unemployed as well as for the organisation.

The health aspect of restructuring can be considered as central because health itself is a crucial part of employment and likewise being relevant for the future performance of companies. Not only those who fall out of the company after restructuring can form a health burden for society in the future but also those who remain and develop increased health problems will produce higher costs for the health system of which the

health insurances are only one part. Therefore new social actors have come into the debate like the company-based health insurances in Germany which showed great interest in becoming active with their specific competencies in the restructuring process.

2. Restructuring and health: Reviewing present research

Over the last decades, the rate of enterprise restructuring has reached a level such that many workers face almost permanent change in the workplace. The objective of the process is generally strategic advantage or improved organisational performance. And yet, in many cases, restructuring does not keep its promises. Restructuring, notably downsizing, does not always boost profitability or productivity. Far from it, often its net economic effect is actually negative (Cascio, 2002, see box 2.3). Moreover, restructuring also entails various side effects. The most striking form of restructuring being closure or downsizing, the most obvious effect is job loss and subsequent loss of economic wealth on the side of redundant workers. And job cuts not only lead to loss of economic wealth of workers that have been laid off. There is a growing body of evidence that downsizing and redundancy also has a considerable impact on the health of workers, notably of those that remain unemployed (Kieselbach, Winefield, Boyd & Anderson, 2006). They display more health problems, demonstrate riskier health behaviour and suffer from higher morbidity and mortality rates (Kieselbach & Beelmann, 2006). In the most extreme form, loss of gainful employment is even associated with a higher than average number of suicides (Eliason & Storrie, forthcoming 2009a; Keefe et al., 2002).

However, the health impact of restructuring extends well beyond the effect of layoffs. First of all, it is becoming increasingly clear that those workers that ‘survive’ downsizing – in the sense that they get to keep their job – may suffer severe health effects too. This has been labelled “layoff survivor sickness” (Noer, 1993, 1997). Secondly, the concept of restructuring is not limited to downsizing and – its ultimate form – closure of enterprises (see box 2.1). Restructuring should not be considered only as a temporary ‘crisis’. It has become a permanent feature of work as a result of the introduction of new management techniques (just in time management, team work etc.) and various forms of increased flexibility (temporary workers, pay rolling, etc.). These forms of restructuring all entail specific risks to health and safety.

A typology of various forms of restructuring and of how restructuring may influence the health of workers as well as the health of organisations (2.1), is provided. Data on the prevalence of restructuring on the European and on some national levels is highlighted (2.2) in this report. The typology is underpinned with empirical findings concerning the health of workers (2.3) and a discussion of the effects on organisational health (2.4).

2.1 Definition and typology of restructuring

Restructuring is often associated with ‘crisis’-like events such as closure, downsizing and layoffs. This, at any rate, is the way restructuring is often depicted in public media. Still, this media picture is but a freeze frame of a process that starts well before the eventual closure or downsizing takes place, and extends way past this crisis-like phase.

Even if it is clear that the job losses that result from closure or downsizing inevitably leads to psychological distress on the side of the workers that have lost their jobs, the health effects *before* and *after* the crisis are too often overlooked. Mergers or take-overs, for example, may not always lead to job loss, but the mere announcement of an upcoming merger will stir uncertainty and fears among the workers about the future. The mere *fear* of job loss may cause distress no less real than actual dismissal. Also, after the crisis many employees may experience symptoms of a post-traumatic disorder – what has already been labelled survivor sickness. It is therefore important to distinguish the respective phases of restructuring: pre restructuring/plan announcement, execution of restructuring (mostly with job loss), and post restructuring (Paulsen et al, 2005).

Box 2.1: Typology 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 of 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 aimed at rationalising organisation by cutting personnel.
 - *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.
- Source*: European Monitoring Centre on Change

Moreover, it is not just the 'crisis-like' types of restructuring that may entail health effects. Increasingly, operational restructuring has become a steady state aimed at permanent improvement of organisational performance and competitiveness. This is being achieved, or at least inspired, by various forms of Human Resource Maximisation (management techniques such as just-in-time management, functional flexibility, team work and so on), flexible work arrangements (such as temporary contracts and pay rolling), as well as networks of production (such as subcontracting or the use of 'self employed'). Clearly, these forms of performance maximisation may give rise to *work intensification* and fatigue. They may also lead to increased *job insecurity*: not only for those that work on a temporary basis, but also for those that still have a steady job but fear becoming outsourced or subcontracted as well. Finally, the permanent changes in the structure of companies may also undermine day to day OSH management, meant to control 'common' risks inherent in work, such as occupational accidents or exposure to poor working conditions. Three pillars that form the basis of OSH management are given specific consideration. First, the main responsibility for health

and safety lies with the employer (art. 5 Framework Directive⁴). Restructuring however, especially the introduction of network-types of co-responsibility, often leads to an increasingly confused division of responsibilities. In these situations it may not be clear who the competent employer is. Second, the employer is expected to call in the help of competent persons or services (art. 7 FD). This is often done by enlisting external occupational health services. However, as shall be elaborated below, it is clear that various groups of ‘non-core’ workers do not have access to these health services. A third pillar under the OSH management system is worker participation – including, among other methods, by involving worker representatives in OSH policy making (art. 11 FD). This worker participation does indeed seem to contribute to better OSH policy (Walters & Frick, 2000; Popma, 2008). However, the influx of temporary workers or the mixing of workers from various employers in one production facility may turn out to be a barrier to effective representation of all workers involved. This in turn may stifle the influence of workers in OSH policy.

Box 2.2: Adjacent concepts of restructuring

Organisational change refers to the overall nature of activities, (e.g. their extent and rate), that occur during a project that aims to enhance the overall performance of the organisation. The activities are often led by a change agent, or person currently responsible to guide the overall change effort. The activities are often project-oriented (a one-time project) and geared to address a current overall problem or goal in the organisation.

Organisational development refers to the evolution of the organisation during the overall organisational change activities. For example, evolution of its members to be able to resolve a major problem, achieve specific project goals and/or overall organisational goals. Organisational development is an outcome of organisational change activities.

Change management refers to the implementation of a certain approach or methodology to ensure the organisational change effort is successful, including ensuring a clear vision and/or goals for the project, and to modify systems in the organisation to more effectively achieve the goals. Change management activities can range from a planned, structured and explicit approach to unplanned and implicit approaches.

Change agent is the person who is responsible for a current change effort. The role can be performed by different people at different times. For example, an internal or external consultant might first perform the role, but work in such a way during the project that the role ultimately is adopted by someone else inside the organisation.

Organisation Development (OD) is a field of research, theory and practice dedicated to expanding the knowledge and effectiveness of people to accomplish more successful organisational change and performance. Various perspectives on the field are held by different people, depending on their particular values and skills. For OD projects to be highly effective, many people assert they must be systems-based in design and highly humanistic in implementation.

From the various types of restructuring two aspects of central relevance may be accentuated here:

⁴ Council Directive 89/391 EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work

- The possibility of job loss that – if realized – is mostly followed by intensification of work: these types of restructuring may lead to stress, grief, prolonged insecurity, and increased work load.
- Permanent vs. crisis like restructuring which, to a different extent, may lead to work intensification, task ambiguity, and a permanent state of job insecurity.

It will be clear, from this typology, that restructuring may be harmful to the health of workers, notably as a result of sometimes long periods of stress. These effects will be described in more detail in paragraph 2.3. Restructuring may also convey harm to the health of the organisation as a whole, however, and this should not be overlooked.

First, individual health may lead to absenteeism, with direct financial effects (e.g. sick pay) as well as effects on productivity. Also, (permanent) restructuring may erode workers' motivation and as a result lead to poor performance. Second, as has been stated earlier, organisational confusion may lead to disorganisation in OSH management, leading to poor OSH performance. The effects on organisational health will be explored in paragraph 2.4.

2.2 Measuring the prevalence and effects of restructuring on health at the EU level

The only available measure of the prevalence of restructuring at the EU level is the European Restructuring Monitor (ERM) (Storrie, 2006; Storrie & Ward, 2007). This collects data from newspaper reports of restructuring involving job losses or gains of more than 100 employees and job losses of ten per cent of the workforce at worksites employing more than 250 people. In the period 2002-2006, 3.556 cases have been reported with total job losses of 2.8 million employees with most cases (more than 700) with job losses of 600.000 reported in the UK. More than 50 per cent of restructuring involved internal reorganisation and 20 per cent of cases involved worksite closures. However, the collection of data is limited as the ERM only covers large enterprises and those that are reported in the media. Furthermore, data is not collected on the effects of restructuring on health and well-being of employees.

2.2.1. National monitoring of restructuring: Prevalence and effects in Western Europe

Although there is relatively little systematic monitoring of restructuring at the European level, national initiatives have been developed that examine the effects of restructuring, either through register data or national surveys. In the following section some of these results will be described. More detailed descriptions of the cases can be found in the annex.

Prevalence of restructuring: The Netherlands Working Conditions Survey included questions in 2007 on restructuring. It was found that 16 per cent of respondents had in the past year experienced major restructuring. Eight per cent had experienced downsizing with compulsory redundancies. In the Danish Work Cohort Study (DWECS) information on restructuring in terms of company takeover (e.g. mergers) was included

in 2000 and 2005. This revealed that few company takeovers took place (seven per cent in 2000). Danish register data from the period 1994 to 2000 have been used to explore the prevalence of downsizing (where more than 30 per cent of staff are laid off) and company closure (Geerdsen, Høglund & Larsen, 2004). This revealed that only around two per cent of Danish companies close every year and 10 to 11 per cent downsize. However, this concerns mostly just small organisations and therefore only about four per cent of the total workforce were affected by closure or downsizing. In Germany, the BIBB/BAuA Survey includes questions on restructuring and was last carried out in 2005/2006. This revealed: 45 per cent had experienced changes and restructuring over the past two years; 42 per cent had experienced dismissals and downsizing; and 40 per cent reported an increase in hiring freelancers as well as contingent and temporary workers.

Effects of restructuring: In Sweden, register data have been used to analyse the effects of company closures. This was done by examining the effects of company closures over a 13 year period (1987-2000). Comparing employees who had been displaced due to company closure with a control group who had not been subject to this, Eliason and Storrie (forthcoming 2009b) combined data from the Hospital Discharge Register, the Register-Based Labour Market and the Income and Wealth Register to examine the effects of job loss due to company closure on hospitalisation. The study found that only men aged 35-49 had an increased risk of stroke. Alcohol-related hospitalisation increased for both men and women. It was furthermore found that marriage had a protecting effect for women but a negative effect for men, possibly because women have higher parental responsibilities whereas men have more financial responsibilities.

Also, the higher education had a protective effect, possibly because people with higher education find it easier to find a new job. Also, mortality rates were examined (Eliason & Storrie, 2004, forthcoming 2009a) combining the Cause of Death Register with the Hospital Discharge Register and the Register Based Labour Market Statistics. Analyses revealed a higher overall mortality risk for men four years following company closure. This was mainly due to fatal suicides, alcohol-related conditions and cardiovascular diseases. The results indicated that the loss of a job hit hardest those that were already vulnerable, i.e. company closure and dismissal may be the final blow to a difficult life and the results suggest that stress from job loss exacerbated, or aggregated, already existing disease rather than initiate new disease or disorder (as only shorter term effects were found).

Also the Finnish 10-Town study in which four out of ten municipalities experienced restructuring found an increased mortality rate among victims of downsizing (defined as more than eight per cent staff reductions). As in Sweden, the cause was found to be due to cardiovascular disease. The Finnish study also found sickness absence to be 2.3 times higher in downsizing municipalities. They further found it was the long-term sickness absence that increased. Short-term sickness absence which may not be entirely related to actual sickness or at least of the less serious kind decreased. For those that remained in employment early disability rates were higher in restructuring mu-

nicipalities. Also effects of psychotropic drugs increased. Male survivors were 50 per cent more likely and female survivors were 12 per cent more likely to be prescribed such drugs. Sleeping pills were the most often prescribed drug for men and anxiety drugs most often prescribed for women.

The Finnish 10-Town study also found that downsizing led to impaired self-rated health. Employees exposed to major downsizing (more than 18 per cent staff reductions) were more than twice as likely to report poor health after four years. In the Dutch study, restructuring was significantly related to emotional exhaustion even in restructuring without staff lay-offs (and thus little reason for job insecurity). Emotional exhaustion was found to be related to psychological job demands. It was also found, however, that autonomy and an innovative climate buffered the negative effects of restructuring on emotional exhaustion. In the German study BIBB/BAuA, 61 per cent of those that experienced restructuring always perceived this to be associated with increased stress and work pressure, while 60 per cent experienced stress and work pressure in cases of dismissals and downsizing.

In the Danish Work Environment Cohort Study, it was possible to make a comparison of the experiences of four groups: survivors of restructuring, willing victims (those that left on their own accord), unwilling victims (compulsory lay-offs) and employees who had not experienced restructuring at all. It was found that even survivors five years after the restructuring continued to experience higher levels of job insecurity than those who had not been exposed to restructuring. Low levels of self-efficacy and lack of social support from colleagues at the time of restructuring were found to predict job insecurity five years on.

Eliason and Storrie (2004) also examined future employment for victims of company closure. They found lower employment and higher unemployment rates among dismissed workers both in the short and the long term. These results are in contrast to the Danish register study mentioned above. In this study it was found that 75 per cent of victims of company closure or downsizing were reemployed after one year and 88 per cent had found other employment after four years. These levels are similar to employees that have not experienced such restructuring. In fact it was found that employees from downsizing companies had a higher level of reemployment. Victims did, however, experience a minor income decrease, mainly due to the fact that employees from diminished sectors (such as textile) had to change occupation.

Several studies point to the importance of considering cultural differences both in terms of labour market conditions, e.g. general unemployment rates but also labour market regulation practices such as the flexicurity model which will moderate the effects of restructuring. However, the different forms of restructuring and different definitions (e.g. downsizing defined as eight per cent reductions in staff in Finland and 30 per cent reductions in Denmark) makes it difficult to compare results across borders.

2.2.2. National monitoring of restructuring: Prevalence and effects in Eastern Europe

In the Eastern European (EE) countries, restructuring was – primarily – a consequence of the transition from central planning to a market economy starting at the end of the 1980s and the beginning of the 1990s. This transition was associated with large scale privatisation of enterprises. Another important contextual factor of restructuring in this region was the recent accession to the EU: hence, the necessity of complying with EU standards and regulations, and building up a competitive enterprise. A further specificity of the restructuring processes in EE is connected with the fact that these countries had a lower level of economic development in comparison to EU15, with a different economic structure (e.g., high employment in agriculture).

Prevalence of restructuring: Privatisation of enterprises – and restructuring processes strictly connected with it – was especially intensive at the beginning of the transformation period. However, the privatisation process continues. In Poland, for example, in the period 1990-2007, 7.364 state owned enterprises were included in the privatisation process (Statistical Yearbook of Poland, 2008) but around 1.800 (almost 30 per cent of economic activity) still remained under public ownership. In some sectors, the privatisation process will only begin, for example in the sector of energy and railways (Voss et al., 2007).

On the basis of the data collected in the frame of the European Restructuring Monitor (notwithstanding the earlier mentioned limitations of that data) it can be assessed that restructuring processes in the EE countries are more intensive than in the “old Europe”. Out of 9.429 cases of restructuring in the EU reported in the ERM (2009), more than 33 per cent was from the EE countries. Taking into account lower population number in these countries (21 per cent of the EU27 population), it can be assessed that an average employee experiences restructuring of his/her firm more often than an employee from Western Europe. However, in the EE, restructuring are relatively more often connected with job creation than in other EU countries (out of 1,87 million planned job creation in the period 2002-2009, 52 per cent was in the less numerous EE countries), and relatively rarely – with job reduction (out of three million planned job reductions, 18 per cent was in the EE).

The direction of restructuring processes finds its reflection in sectoral employment change. On the basis of the analyses of employment in 2003-2007 presented in European Restructuring Monitor (ERM Report 2008), the characteristic trends for the EE countries are for example: decline in agriculture employment, employment growth in some manufacturing sectors (the opposite trends can be observed in the EU15), significant increase of employment in the construction sector (NMS-2: 69.7 per cent change).

Effects of restructuring: The positive side of restructuring in the EE is accompanied by large hazards. Job loss in the EE has a stronger negative individual impact than in the EU15. This situation is caused by an underdeveloped active labour market policy in