

ERM report 2018: Impact of restructuring on working conditions

Introduction

Restructuring is a major feature of labour markets and work organisation. Data collected by Eurofound's European Restructuring Monitor (ERM) clearly show this. While organisational restructuring is necessary for business survival and growth, it can take a heavy toll on employees – not least the 'stayers' or 'survivors' who manage to keep their jobs. Given that restructuring is an unavoidable part of the working lives of many people, it is crucial to gain a better understanding of the following aspects:

- the consequences of restructuring for the stayers, in order to anticipate and manage the process of change
- how an organisation that is being restructured can reduce or neutralise the negative effects
- how the organisation can support its employees during a difficult transition

Using data from the sixth European Working Conditions Survey (EWCS), carried out in 2015, the ERM report 2018 examines how workplace factors may influence the relationship between restructuring (with job losses) and the outcomes for employees. It also reviews policy and academic research on good practice in restructuring. The findings are then distilled into a model that may contribute to the design and implementation of effective measures to support the stayers. The good practice elements are exemplified by company case studies from four countries – Bulgaria, Germany, the Netherlands and Spain – showing different approaches.

Policy context

National and European policymakers agree that structural change should be effectively and suitably anticipated, so as to ensure future prosperity and economic growth. At the EU level, there are a number of directives that tackle issues related to restructuring. Over the years, the EU has channelled substantial resources into supporting the adaptability of workers and companies in restructuring situations. The training and lifelong learning initiatives funded by the European Social Fund (ESF) are examples of this.

The European Commission has also financed research into the impact of restructuring on employees. The Commission's 2012 Green Paper on restructuring raised awareness of the matter at stake: 'poorly managed restructuring can have a significant negative long-term impact on the human resources of companies, thereby weakening this key resource for competitiveness'.

In recent years, however, attention regarding the concerns of the stayers has subsided. Although the importance of anticipating company restructuring and minimising the social impact for employees was emphasised by the 2013 EU Quality Framework for anticipation of change and restructuring (QFR), the policy focus has remained firmly on the laid-off employees. Key issues surrounding the implications for the well-being, health and working conditions of the remaining workforce have not been addressed. The present report aims to bring this issue back to the attention of policymakers and encourage a more holistic and forward-looking approach to restructuring.

Key findings

- According to representative European survey data, just under one-third (30%) of employees in the EU reported that restructuring had taken place at their workplace in the preceding three years. A similar proportion reported working in downsized workplaces.
- Among the stayers, both restructuring and downsizing were associated with higher levels of work intensity, exposure to adverse social behaviours and lower levels of satisfaction with working conditions. These associations were notably stronger in workplaces with major employment reductions.
- But downsizing was also associated with a higher incidence of employer-provided training and of cognitively rich work ('learning new things'), suggesting that some of the human capital-related work dimensions may be positively affected by restructuring.

- Open information and consultation on restructuring was identified as a potential buffer or mediating factor limiting the adverse effects of downsizing. Over three-quarters of workers in restructured workplaces reported having been informed of impending restructuring in advance and just over one-third indicated that they had been consulted ('opinion had been sought') prior to the restructuring.
- The most important buffer in terms of its mitigating effects was the perceived level of fair treatment at the workplace.
- The qualitative research pointed to the importance of management efforts and investments to equip the workforce to adjust to change and cope with the increased job demands. But training to enhance the employees' sustainable employability through lifelong learning may be more beneficial than job-specific training to deal with the increased workload or new tasks. Sustainable employability may translate into greater employee empowerment and a heightened sense of employment security.
- The extent of the negative effects of restructuring can vary, depending on an array of factors that have to be taken into account when designing and implementing measures to support the workforce during the transition. What works will depend on the institutional, legislative and economic context. Local circumstances, as well as cultural norms and expectations, will also play a part.
- One frequent shortcoming in restructuring is the lack of systematic monitoring mechanisms to take stock of the restructuring experience and better prepare for future changes. This was also seen in the company cases studied. Systematic monitoring of the measures implemented throughout the change process could give insights into the intended and unintended effects of the measures and signal what adjustments are required where and when.

Policy pointers

- Restructuring is a common feature of organisational development in all modern societies and is a precondition of economic growth and material advancement. Policy should aim not to restrict or constrain organisations needing to restructure but to facilitate and encourage responsible and well-managed restructuring.
- Restructuring and downsizing are associated with mainly adverse work organisation and health outcomes for those who remain in restructured workplaces. Pervasive restructuring is one possible contributing factor to the increasing share of work-related ill-health that is mental rather than physical in nature. It may also contribute, through work intensification, to the increased incidence of musculoskeletal disorders. More explicit reference to restructuring could be considered in health and safety legislation, emphasising the 'duty of care' of employers to carry out restructuring in a manner that takes account of these health risks.
- Despite policy measures to discourage it, early retirement remains an important exit strategy in cases of downsizing. A valid alternative is to direct efforts and resources into supporting employees' sustainable employability by helping them to develop more generic and transferable skills through lifelong learning.
- Particular attention could be directed to vulnerable groups among the stayers for whom the effects of restructuring can be more severe. This report reveals that female employees, high-skilled blue-collar employees and public sector workers in health, education and the civil service/public administration are at heightened risk of ill-health after downsizing.

Further information

The report *ERM report 2018: Impact of restructuring on working conditions* is available at <https://eurofound.link/ef18037>

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