

# Health and Social Effects of Downsizing: A Review

Lakshmi Bose and  
Philip Bohle\*

## Abstract

*Extensive organisational downsizing and restructuring has occurred in many countries since the 1980s. The negative consequences for workers forced into unemployment are well recognised. However, a growing body of evidence suggests there are also substantial, though less obvious, negative effects on workers who are retained. These effects may include impaired teamwork and productivity, damaged social networks and diminished social support, negative attitudes to work, elevated work-life conflict, a greater prevalence of negative health behaviours and impaired physical and psychological health. A cluster of behavioural and health effects observed amongst retained workers, described as 'survivor syndrome', is characterised by demoralisation, risk aversion, diminished organisational commitment and poorer health. These negative effects may be moderated to some extent by factors such as personality, gender, organisational level and age. A focus on more specific research questions and methodological refinements are likely to enhance future research in this area.*

## Introduction

Downsizing is a process of workforce reduction, generally aimed at yielding labour cost savings while increasing the productivity and effi-

---

\* School of Industrial Relations and Organisational Behaviour, The University of New South Wales. The authors wish to thank Gautam Bose for his valuable comments on earlier drafts of this paper.

ciency of the workers who are retained. However, it is a strategy that disrupts the continuity of the organisation and the lives of its employees, often with marked negative consequences for both. The most visible consequence is unemployment for the workers who are dismissed. The social, psychological and health effects of unemployment have been widely recognised and their nature is relatively well understood (see the symposium edited by Kriesler and Nevile 2000). The negative effects of job insecurity arising from downsizing may be less marked than those of unemployment and depend upon a more subtle interplay between demographic factors such as education and income (Hamilton et al. 1990). However, it is becoming clear that this insecurity does have significant costs (see Burgess and de Ruyter 2000).

The consequences of downsizing for retained employees are certainly less obvious than those of unemployment. They arise from a variety of effects including real or perceived job insecurity, work intensification, disruption of social networks and consequent impairment of family relationships and health. This paper surveys some of the literature concerning these phenomena. The nature of downsizing is briefly discussed before its consequences for the health and family and social relationships of employees are examined.

### **The nature and organisational impact of downsizing**

In many countries, extensive workforce downsizing and restructuring has been observed in public and private sector organisations since the 1980s (see Quinlan 1998; Cascio 1993). However, downsizing has been defined in several different ways. Cascio (1993) defined it as “planned eliminations of jobs or positions” (p. 95) and noted that it “does not include the discharge of individuals for cause or individual departures via normal retirement and resignations” (p. 96). Cameron and colleagues (1993, cited in Dawkins, Littler, Valenzuela and Jensen 1999, p. 6) define it as “an intentionally instituted set of activities designed to improve organisational efficiency and performance which effect the size of the organisation’s workforce, costs and work processes.” They add, “It is implied that downsizing is usually undertaken in order to improve organisational performance. Downsizing, therefore, may be reactive or proactive. Failures or ineffectiveness are not prerequisites to downsizing and it may be undertaken when no threat or financial crisis exists at all.” Others have observed that downsizing has “become a favourite practice for a large number of troubled corporations ... people are seen more as liabilities than assets” (Kets de Vries and Balazs 1997). From a wider strategic perspective, downsizing has been portrayed as a “strategy fa-

voured by many companies attempting to cope with fundamental, structural changes in the world.” (Mishra et al. 1998).

Views clearly differ about whether downsizing is predominantly proactive or reactive and based on long-term strategy or short-term cost minimisation. However, there is general agreement that the term refers to workforce reductions that do not simply happen as a matter of course in an organisation but rather are undertaken as a purposeful strategy (Cascio 1993; Mishra, Spreitzer and Mishra 1998; Dahl and Nesheim 1998; Burke and Greenglass 2000). While downsizing implies an overall reduction in the size of the workforce, new jobs may be created to replace some of those lost. This has led to use of the alternative terms “re-engineering” or “rightsizing” (Umiker 1999; Luthans and Sommer 1999) but in most cases these processes involve an overall reduction in the size of the workforce across the organisation.

Researchers have applied different numerical criteria to define the level of planned workforce reduction that constitutes downsizing. According to Littler and Innes (1999), a 5 per cent reduction can be taken as the cut-off while Cascio (1993) has used 3 per cent. Whichever criterion is employed, downsizing is evident across all sectors and industries, particularly in banking and finance, manufacturing, healthcare and other services, and information technology (Sparrow 1996; Sahadev, Vinnicombe and Tyson 1999; Jiang and Klein 2000; Umiker 1999). It has been widespread in both the public and private sectors (Vahtera et al. 1997). The early 1990s brought downsizing to the public sector, reflecting cost cutting and deficit reduction stimulated by cutbacks in public funding (Dawkins et al. 1999).

In the USA, downsizing emerged early in giant organisations such as American Telephone and Telegraph, Eastman Kodak, Citicorp, Good-year, Black and Decker, Exxon, Digital Equipment, CBS, ABC, General Motors, and the US Postal Service (Cascio 1993). The pressure to be “lean and mean” has been considerable and led to some success for companies such as IBM, Du Pont and Union Carbide. In the UK, extensive job cuts have also been widespread in many industries. Examples include major banking companies, British Telecom and firms in the power industry. Japan, Sweden and Finland have also experienced substantial downsizing (Sahadev et al. 1999; Kivimaki et al. 2000).

After downsizing, the smaller workforce that remains often has to shoulder the same overall workload that the larger staff carried prior to job cuts. Consequently, restructuring almost always accompanies downsizing (Fisher and White 2000) and the terms are often used synonymously. Several factors may influence downsizing strategies, such as global and domestic competition, and pressures to reduce costs, improve

quality and increase customer satisfaction (Sahdev et al. 1999).

There are at least three different types of downsizing strategy:

- (i) *Simple headcount reduction* without accompanying organisational change (Cascio 1993).
- (ii) *Short-term redesign* in which workforce reduction is accompanied by job redesign and immediate structural change, such as delayering. The redesign can take two forms: downsizing-driven redesign involves incremental, low-level change while redesign-driven downsizing involves more fundamental and high-level change. These approaches differ in their effectiveness, with redesign-driven downsizing being associated with greater intra-organisation communication and participation (Freeman 1999).
- (iii) *Longer-term systematic change* that involves change in organisational structure and culture, with greater employee involvement (Cascio 1993; Kets de Vries and Balazs 1996). This approach stresses continuous change rather than radical restructuring (Cascio 1993)

Various methods can be used to reduce the size of the workforce, including redundancy, disability pensions, layoffs, early retirement, voluntary attrition, outplacement and redeployment (Dahl and Nesheim 1998).

Downsizing may be an indicator of organisational decline (Fisher and White 2000) but, as noted above, it may also be a strategic measure aimed at enhancing organisational performance and effectiveness in organisations not experiencing financial difficulties (Freeman and Cameron 1993). Downsizing is widely expected to deliver both economic and organisational benefits. Economic benefits can be achieved by increasing share prices and by cutting future costs and increasing income. An American Association survey in 1994 showed 81 per cent of downsizing firms were profitable in the year that they had downsized (Burke and Cooper 2000), although many may also have been so before they downsized (Cascio 1993). The organisational benefits sought from downsizing include increased productivity, lower overheads, improved communication, more effective and faster decision making, less bureaucracy and more entrepreneurial behaviour (Cascio 1993; Kets de Vries and Balazs 1996).

Unfortunately, downsizing frequently fails to produce the expected organisational and financial benefits. When applied in isolation, it generally does not produce sustained improvement in expense ratios, return on investment and assets, stock prices or competitiveness (Cascio 1993;

Cascio et al. 1997). In a study of 1000 downsized companies, Umiker (1999) found that only 20 per cent had gained increased competitive advantage and only 22 per cent had increased productivity. A survey by the Society of Human Resource Management (USA) of 1,468 restructured firms indicated that for many of them, productivity did not rise or even deteriorated (Kets de Vries and Balazs 1996). Less than 50 per cent were successful in reducing expenditure. Similarly, Cascio (1993) cites a survey of 1005 firms in the USA indicating that fewer than one in three increased profit as much as expected and only 21 per cent reported satisfactory improvements in shareholder return on investment. Similarly, downsizing frequently does not afford expected organisational benefits such as higher productivity, improved communication or more innovation and entrepreneurship (Cascio 1993; Cascio et al. 1997). On the other hand, a survey of 1,034 downsized and restructured organisations in Canada, 58 per cent of firms reported improved productivity as the outcome, 63 per cent reported improved earning, 85 per cent reported improved costs, and 36 per cent reported increased customer service (Burke and Cooper 2000). Whether these improvements were sustained in the long term, or would even stand up to independent scrutiny, is unclear.

Many failures appear to arise because downsizing is approached as a short-term, simplistic attempt to reduce labour costs rather than as a component of a systematic, longer-term strategy to improve organisational performance. One American Management Association poll of 1142 downsized companies revealed that 50 per cent started downsizing without any supportive policies or programs, such as training or redeployment (Cascio 1993). Only superficial changes were introduced where they created an impression that decisions were being made and actions were being taken. As part of a more strategic and long-term vision, downsizing must be viewed as strategic transformation, involving fundamental change in values, attitudes, work processes, corporate culture and mission (Kets de Vries and Balazs 1996).

During the extensive downsizing that has occurred since the 1980s, job insecurity has become a threat to employees at all levels (King 2000; Kets de Vries and Balazs 1997). Although job cuts were initially concentrated in blue-collar jobs, attention was later directed to white-collar workers (Cascio 1993; Sahadev et al. 1999; King 2000). For example, the information technology sector has recently implemented significant workforce reductions globally. In May 2000 the network company Alcatel and mobile carrier Vodafone announced job cuts in Australia. Vodafone implemented a 12 per cent reduction from its 3,034 strong workforce that was not part of a global restructuring and affected only Australian employees. Senior management was also targeted for job

tralian employees. Senior management was also targeted for job cuts. In addition to voluntary redundancies, Alcatel cut 13 per cent of its labour force in two months. In the US, Alcatel also announced 1,100 job cuts, even though the company's first quarter result reflected a 21 per cent increase in sales and a four per cent increase in operating profit. Network company Cisco Australia announced 150 job cuts as a part of 8,500 worldwide cuts. Cisco sales were down by 30 per cent. Ericsson and Nortel also cut 200 local jobs (*Sydney Morning Herald*, May 16, 2001). A similar pattern emerged in the banking sector where the Commonwealth Bank cut 2,351 staff after taking over the Colonial Bank (*Sydney Morning Herald*, 2-3 June 2001). Overall, the bank cut almost 3,000 jobs between January and June 2001. ANZ slashed 8327 employees over five years in the late 1990s (Finance Sector Union 2001). Both branch closure and reductions of part-time hours affected the bank to a point where new recruitment was necessary.

### **“Survivor syndrome” and other health effects**

Many organisations undertake downsizing in repeated waves over an extended period (Isaksson et al. 1999). This tendency may considerably heighten concern about job security amongst employees who retain their jobs. A so-called “survivor syndrome” has been observed amongst retained workers which is characterised by demoralisation, risk aversion, diminished organisational commitment and poorer health (Cascio et al. 1993). These responses parallel the feelings of mistrust, fear, depression and betrayal observed amongst retrenched workers (Mishra and Spreitzer 1998).

Employees who have survived downsizing often have to cope with the demands of fitting into new roles and higher workloads as well as greater job insecurity, which may translate into reduced organisational commitment. Some have traced the failure of downsizing to yield consistent efficiency gains to the responses of retained workers to changes in the psychological contract (Sahadev et al. 1999). Employees may perceive that the change puts them in new roles with new demands on their performance, while at the same time putting them in less secure positions (Cascio 1993; Sparrow 1996; Noer 1993; Sahadev et al. 1999). It has been observed that these factors are important predictors of subsequent turnover (Iverson 1999).

In these circumstances, even rumours about future downsizing may cause significant psychological distress for retained workers. Reissman, Orris, Lacey and Hartman (1999) found that 6 months of rumour regarding a planned downsizing reduced individual productivity and team-

work. Forty per cent of 92 respondents showed maladaptive stress responses. Workers over 40 years of age and those with higher education levels displayed higher stress levels. There was also a significant positive correlation between tenure in the company and distress level. Major downsizing was associated with (i) changes in job characteristics (ii) diminished social support and (iii) more frequent negative health behaviours, such smoking, alcohol consumption and other forms of substance abuse.

It is now well established that job insecurity has negative effects on many physical and psychological health outcomes and downsizing is a major source of this insecurity (Bohle, Quinlan and Mayhew 2001). Psychological symptoms include anxiety, depression and diminished well-being. Physical effects include cardiovascular risks, hypertension, peptic ulcer, cancer and morbidity from various infectious diseases. The prevalence of excessive smoking, alcohol consumption and abuse or dependence on other drugs increase among employees during downsizing (Reissman et al. 1999; Kets de Vries and Balazs 1997; Kivimaki et al. 2000).

There is a significant negative association between downsizing and health status among retained employees (Kivimaki et al. 2000). Several studies have examined the factors underlying the negative effects of downsizing on health and the rate at which the deterioration occurs at different stages of the downsizing process. It has been reported that the health of retained employees progressively deteriorates as staffing levels are reduced. Rates of medically certified sick leave of 18 per cent or more have been observed after major downsizing, compared with less than 8 per cent after minor downsizing (Kivimaki et al. 2000; Vahtera et al. 2000).

An inverse relationship has been found between grade of employment and sickness absence after downsizing. The Whitehall II study examined mortality and morbidity in a cohort of 10314 British civil servants (North et al. 1993). Men in the lowest grade of employment had higher levels of both long and short absences than those in higher grades of employment. Several health-related factors, and other work and non-work factors, were identified as risk factors contributing to these differences. Loss of income, material deprivation, age, gender, physical health, diminished social networks and social stigma also predict mortality and morbidity (North et al. 1993; Martikainen and Valkonen 1996).

Several studies have examined the effects of personality on responses to downsizing. For example, differences in health risks between hostile and non-hostile individuals have been evaluated (Vahtera et al. 2000; Ostry et al. 2000). According to the psychosocial vulnerability model

(Vahtera et al. 2000) a hostile individual is at higher risk of developing health problems than a non-hostile individual. This may be due to (i) an increased risk due to fewer psychosocial resources (such as social support, social networks and job control), (ii) greater vulnerability to interpersonal conflict or (iii) a lower capacity to derive benefits from existing psychosocial resources. During an unfavourable life event, such as downsizing and unemployment, these characteristics may influence mortality, morbidity and sickness absence. Poor psychosocial resources may cause stress, and eventually a hostile individual may receive less support at the interpersonal level to cope with the stress (Smith 1992; Miller et al. 1996; Christensen and Smith 1993). Such stress-inducing characteristics may create heightened physiological reactivity and cause acute medical problems, such as hypertension, coronary heart disease, and peptic ulcer, or psychological symptoms, such as anxiety and depression (Lapore 1995; Reissman et al. 1999; Vahtera et al. 2000). Other researchers have reported similar findings indicating that personality characteristics (such as the Type A behaviour pattern), lack of social support and greater perceived life stress are related to greater health problems during downsizing (Watkins et al. 1992; Kivimaki, Kalimo and Julkunen 1996). For example, “impatience–irritability” and “ambition–energy” components may heighten emotional distress in people with the Type A disposition.

Informal social networks play an important role in organisational functioning and are critical in facilitating work (Fisher and White 2000). During downsizing, these networks may be damaged or destroyed (Shah 2000). The social network perspective identifies two complementary mechanisms – cohesion and structural equivalence – as forming the bases of informal relationships in the workplace. Cohesion concerns the ways people influence each other through direct relationships and friendships, whereas structural equivalence concerns influences between people in similar positions relative to the organisational structure and having similar response patterns. As a result of these mechanisms, when people congregate at a workplace there is a feeling of togetherness and belongingness established through shared experience, common social activities and similar role demands and expectations (Shah 2000). When some of these actors are removed during downsizing, the stable ongoing network may break down. The dismantling of social networks affects not only the victims but also the survivors. The effects can be observed in two ways. The loss of friends (cohesive actors) gives rise to negative feelings such as dissatisfaction, perception of unfairness, social isolation and loss of social contact. On the other hand, some survivors (structurally equivalent actors) perceive the loss of other employees of similar



status as the opening of new opportunities for promotion and skills development (Shah 2000). The overall effects of the diminished social resources, arising from the disturbance of social networks and social support contribute to the impairment of psychological and physical health associated with downsizing.

### **Downsizing, gender and the family**

The negative effects of downsizing on job insecurity and earnings have important implications for women and families. For example, the effects of downsizing have been profound for managerial jobs but most managerial positions are still designed to suit male roles and expectations. While there are some signs of a redistribution of power and influence in both public and private organisations, restructuring has not brought anticipated benefits for women managers (Edwards et al. 1999). The organizations involved in one UK study, Globalpharm (a private company) and a public service utility, revealed some changes in the traditional power structures and career paths, with new working practices and redesign of managerial roles. However, female managers remained disadvantaged (Edwards et al. 1999).

Changes in job characteristics associated with downsizing affect men and women in different ways. Westman (2000) found that women were more strongly affected than men by diminished participation in decision-making during downsizing. Effects were also greater amongst low-income earners, amongst whom women are over-represented. The effects of increased work demands were greater amongst men than women. Diminished social support from spouses, colleagues and friends was apparent for both women and men.

Job insecurity affects both men and women but women are more negatively affected and the impact of downsizing on job security is also different for men and women (Westman 2000). There are three main dimensions in the relation between gender and job insecurity:

- (i) the impact of job insecurity on gender roles
- (ii) the impact of long working hours on gender occupational roles
- (iii) the impact of job insecurity on family members (Westman 2000).

Rising job insecurity has placed pressure on both men and women to reassess their role identities and the relative significance of work and family. In most families women are either joint or sole income earners. In the face of job insecurity many professional women are under the

same pressure as their male colleagues to work harder and longer. However, it is harder for women with young children to work long hours because of the work-family conflict generated.

Recent research suggests there are bi-directional spillover effects between work and family life, from the family to the work environment and from work to the family domain (Eagle, Miles and Icenogle 1997; Frone, Russell and Cooper 1992). Work generally impinges more on family than family on work (Eagle et al. 1997) and, while spillover effects can be both positive and negative, conflict between work and family roles can have marked negative effects. For example, stress and negative emotional responses to work can impose a psychological strain on the spouse at home (Jones and Fletcher 1993; Westman and Vinokur 1998). These negative spillover effects are predominantly one-way (Jones and Fletcher 1993). Work-related stress accompanies anxiety, guilt, and depression, which affects the spouse and eventually causes burnout for both partners.

Although job insecurity and financial instability have posed a more widespread challenge to families than unemployment since the early 1990s, research concerning work-related stress and the family has paid little attention to the effects of real or perceived job insecurity. Stress related to job insecurity and financial instability can be immobilising because of its potential threat to the functioning of the family. In case of forced unemployment, families can re-evaluate and reorganize their life style, disconnecting to some extent from the previous stressors, and access various forms of support. This is not feasible in the case of job insecurity, where the stress is caused by uncertainty and factors that may be less conducive to direct control (Wilson, Larson and Stone 1993).

Studies conducted in the context of job insecurity have indicated that men and women perceive and cope with occupational stress differently (Nelson and Quick 1985). Women adopt different approaches to coping that are more likely to be (i) maladaptive (ii) home-based or (iii) emotion-focussed (Westman 2000). Maladaptive coping strategies include health-threatening behaviours such as increased smoking, drinking and eating. On the other hand, women are also more likely to reduce stress by doing more exercise and engaging in fitness activities and sports. Men use more problem-focused coping strategies such as positive thinking, setting up long-term goals and planned and rational action to diminish the sources of stress. Men may also use support from spouses to cope with stress (Westman 2000; Voydanoff 1990) and the occupational stress experienced by men may pass on to women in the family domain (Jones and Fletcher 1993). In extreme cases, this may result in separation or divorce (Voydanoff 1990). Studies have indicated lowered levels

of consensus, communication and harmony in family relationships during downsizing (Larson 1984). While these findings are interesting, more research on the relationships between downsizing, gender and family is required.

### *Research issues*

Research on downsizing, especially its social and health effects, is relatively new and knowledge is growing rapidly. In these circumstances it is not surprising that there is scope for refinement of both research questions and methodology (for a more detailed examination of these issues, see Quinlan et al. 2001). More specific research questions are certainly becoming apparent. For example, the cumulative effects of multiple waves of downsizing on work-life balance and health are not well understood at present. As work is progressively intensified by successive staff reductions there may be changes in working arrangements, such as longer and more socially undesirable working hours, that are likely to have increasingly negative effects on work relationships, work-life conflict and health. Another important question concerns gender effects. Although many studies have included female participants, few have explicitly examined gender differences in the impact of downsizing on factors such as work-life balance. Such research could be usefully extended to detailed investigation of the impact downsizing on family members and the relationship between gender, work-life conflict and wider effects on the family.

The effects of broader economic factors on responses to downsizing also warrant deeper investigation. Differences in labour markets between occupations and industries are an obvious example. Little is known about the effects of the demand and supply for specific skills and qualifications on the impact of downsizing within particular occupations. Presumably, those with readily marketable skills, and a higher probability of obtaining alternative employment quickly, will be less affected by job insecurity associated with downsizing. However, the role and significance of these factors has yet to be established empirically.

A more general issue concerns the extent to which research should focus on the nature and magnitude of the effects of downsizing or on the degree to which some variables can moderate these effects. For example, it is becoming clear that a variety of factors can moderate effects on work-life balance and health and this knowledge may assist in the design and implementation of organisational interventions. Unfortunately, many studies to date have exclusively examined moderating variables or interventions. This approach risks disguising the magnitude of negative

effects on workers as a group by restricting attention to factors that explain differences within the group. Organisational policies and interventions intended to minimise adverse effects are more likely to be successful if they operate upon variables that deliver beneficial effects for all workers rather than variables that facilitate the adaptation of some individuals.

Several important issues concerning research design and methodology are also emerging. Although cross-sectional surveys and case studies have provided valuable data, more extensive use of longitudinal designs would now be beneficial. In many cases, longitudinal studies can produce more compelling evidence of the impact of downsizing, especially if data can be collected before initial lay-offs or over successive waves of staff reductions. Interrupted time series data collected across several episodes of downsizing will be particularly useful in establishing cumulative effects and whether moderating variables such as social support continue to have beneficial effects in the face of longer term deterioration in factors such as working conditions, work relationships and health. The advantages of longitudinal designs are more marked in downsizing research because of the practical constraints often encountered in finding suitable control groups that have not themselves been exposed to downsizing.

Improvements in measurement would also enhance quantitative research in this area. At present, excessive diversity in the number and quality of measures used as indices of important variables hinders comparison of findings across studies. Wider use of validated and standardised indices for variables such as perceived job insecurity, attitudes to downsizing, work-life conflict and health would enhance the quality of individual studies and aid the consolidation of knowledge across studies. The availability of a wider range of well-validated measures may also help address problems with reporting associated with some variables. For example, although widely used and apparently "objective", workers compensation and sickness absence data may be influenced by a variety of factors unrelated to health and considerably underestimate the health effects of downsizing. Workers may be reluctant to take time off, report illness or injury, or even refuse overtime for fear of jeopardizing their prospects of retaining their jobs. This may be particularly true for illnesses and injuries for which diagnosis is contentious, such as occupational stress and overuse injuries. Wider use of multiple, valid measures of key variables would provide a means of cross-validating and exposing the distorting effects associated with some measures.

Even if validated and standardised indices are widely used, research findings are likely to be more compelling if they can be triangulated

across quantitative and qualitative measures. While quantitative studies with robust measures may build a body of larger-scale, generalisable and objective data, some issues and variables are unlikely to be amenable to exclusively quantitative examination. Examples include the subtle effects of downsizing on work organization, production pressures, and reporting of illness. Case studies employing appropriate qualitative methods are more likely to bring these effects to light, particularly as they are likely to go unnoticed by researchers until they are described by the workers experiencing them. Once the existence of these effects has been identified, it may be possible to test their generalisability using quantitative methods.

## **Conclusions**

Over the past two decades downsizing has become a pervasive feature of organisational life. It has recently been discussed in relation to organisational functioning and performance, job insecurity, and health and safety (Bohle et al. 2001; Cascio et al. 1997; Harris and Morrow 2001; Kriesler 2001; Toner 2000; Watts and Mitchell 2000). Repeated episodes of downsizing have also influenced labour market conditions. Employers are less willing to offer secure jobs and organisational loyalty among employees has decreased (King 2000). The latter is a major consequence of downsizing.

A revised labour market condition has emerged in which employers' prerogatives are prominent. The new job market conditions provide no guarantees of job security or reemployment. Redundancy with or without notice is a common feature. According to an ABS (2002) survey, in the three years to July 2001, 77 per cent of retrenched workers were given redundancy notices of less than five weeks and 25 per cent were given less than a day's notice. Such instability of employment has an adverse implication for employees, their families, their communities and the economy as a whole (Cohany et al. 1998). Downsizing has contributed significantly to these trends (Watts and Mitchell 2000).

A different employment process has emerged in which growing numbers of people are employed outside the standard working arrangements. The "standard" employment contract provides wage and non-wage benefits with a reasonably secure, ongoing and full-time employment status. With the growth of non-standard working arrangements, however, a large proportion of the labour force is employed precariously or contingently (see Quinlan, Mayhew and Bohle 2001). These workers are often employed casually, on temporary contracts, as self-employed subcontractors or as home-based workers. Many work in disorganised

and poorly supervised conditions without a regulated employment contract. These conditions have marked negative effects on the quality of working conditions. As a response to these conditions a new trend toward job mobility and multiple job holding has emerged. Of the 1.4 million workers who changed jobs in February 2000, 42 per cent had changed industry and 34 per cent had changed occupation in the last year (ABS 2000).

New work practices also require many employees to be multi-skilled, work longer hours and work more intensely. To avoid the threat of further redundancy, many workers comply with these pressures from employers. For example, several studies have identified attendance pressure (see Simpson 2000) that is associated with anxiety, long hours and 'sickness presenteeism' (working while ill). A survey of 3,801 workers in Sweden (Aronsson et al. 2000) found presenteeism to be highest amongst workers in the healthcare, welfare and education sectors (including nurses, midwives, nursing-home aides and teachers). These sectors all experienced substantial staffing cutbacks during the 1990s. It appears that, in addition to creating fear of job loss, downsizing promotes presenteeism by intensifying work demands on individuals and groups, reducing the staff available to fill gaps and increasing pressure for workers who take leave to later complete tasks left unattended during their absence. In general, these effects are likely to diminish workers' willingness to report injury and reduce the apparent health impact of downsizing in research based on absence records.

While these changes are not solely the consequence of downsizing, the latter has clearly been a large contributing factor. Downsizing is associated with significant impairment of psychological and physical health and with a range of negative domestic and social consequences. These costs are borne by employees who remain in employment as well as by those who are dismissed. Partly because the former effects have been neglected, the expected business gains from downsizing are often not realised. It may be conjectured that this unimpressive record is a consequence of downsizing and restructuring episodes that have been ill planned, poorly resourced and oriented to the short term. To evolve better strategies for downsizing and restructuring, it is necessary to develop a better understanding of its impact on health and on relationships and behaviour in the workplace. Attention must also be paid to its effects outside the workplace, including those on family life, social networks and the employment opportunities of women.

## References

- Aronsson, G., Gustafsson, K. and Dallner, M. (2000) Sick but yet at work: An empirical study of sickness presenteeism, *Journal of Epidemiology and Community Health*, 54(7), 502-9.
- Australian Bureau of Statistics (2002) Retrenchment and redundancy. Report no. 6266.0. Commonwealth Government of Australia, Canberra.
- Australian Bureau of Statistics (2000) Labour mobility, Australia. Report no. 6209.0. Commonwealth Government of Australia, Canberra.
- Bohlé, P., Quinlan, M. and Mayhew, C. (2001) The health and safety effects of and job insecurity: an evaluation of the evidence. *Economic and Labour Relations Review*, 12 (1), 32-60.
- Burgess, J. and de Ruyter, A. (2000) Declining job quality: Another hidden cost of unemployment, *Economic and Labour Relations Review*, 11(2), 246-269.
- Burke, R.J. and Cooper, C.L. (eds) (2000) *The organization in crisis*, Blackwell, UK.
- Burke, R.J. and Cooper, C.L. (2000) The new organizational reality: transition and renewal, in Burke, R.J. and Cooper C.L. (eds) *The organization in crisis*, Blackwell, UK. pp. 2-19.
- Burke, R.J. and Greenglass, E.R. (2000) Organizational restructuring: identifying effective hospital downsizing processes, in Burke, R.J. and Cooper C.L. (eds) *The organization in crisis*, Blackwell, UK. pp. 284-303.
- Cascio, W.F. (1993) Downsizing: what do we know? What have we learnt? *Academy of Management Executive*, 7 (1), 95-104.
- Cascio, W., Young, C.E. and Morris, J.R. (1997) Financial consequences of employment-change decisions in major U.S. corporations, *Academy of Management Journal*, 40 (5), 1175-1189.
- Christensen, A. and Smith, T. (1993) Cynical hostility and cardiovascular reactivity during self-disclosure, *Psychosomatic Medicine* 55, 193-202.
- Cohany, S.R., Hipple, S.F., Nardon, T.J., Polivka, A.E. and Stewart J.C. (1998) Counting the workers: Results of a first survey. *Contingent work: American employment relations in transition*. Barker and Christensen (eds): Cornell University Press, US. pp. 41-68
- Dahl, S-Å. and Nesheim, T. (1998) Downsizing strategies and institutional environments, *Scandinavian Journal of Management*, 14 (3), 239-252.
- Daniels, K. (1996) Why aren't managers concerned about occupational stress? *Work and Stress*, 10 (4), 352-366.
- Dawkins, P., Littler, C.R., Valenzuela, R. and Jensen, B. (1999) The contours of restructuring and downsizing in Australia, *Melbourne Institute of Applied Economic and Social Research*, Univ. of Melbourne, Melbourne, Australia.
- Eagle, B.W., Miles, E.W. and Icenogle, M.L. (1997) Interrole conflicts and the permeability of work and family domains: Are there gender differences? *Journal of Vocational Behaviour*, 50, 168-184.
- Edwards, C., Robinson, O. Welchman, R. and Woodall, J. (1999) Lost opportunities? Organizational restructuring and women managers, *Human Resource Management Journal*, 9 (1), 55-64.
- Finance Sector Union (2001) *ANZ staffing review - news to you?* <http://www.fsunion.org.au> (dated Wednesday July 25)

- Fisher, S.R. and White, M.A. (2000) Downsizing in a learning organization: are there hidden costs? *Academy of Management Review*, 25 (1), 244-251.
- Freeman, S.J. (1999) The gestalt of organizational downsizing: downsizing strategies as packages of change, *Human Relations*, 52 (12), 1505-1541.
- Freeman, S.J. and Cameron, K.S. (1993) Organizational downsizing: A convergence and reorientation framework, *Organization Science* 4, 10-29.
- Frone, M.R., Russell, M. and Cooper, M.L. (1992) Antecedents and outcomes of work-family conflict: Testing a model of the work-family interface. *Journal of Applied Psychology*, 77 (1), 65-78.
- Hamilton, V., Broman, C., Hoffman, W. and Renner, D. (1990) Hard times and vulnerable people: Initial effects of plant closing on autoworkers' mental health, *Journal of Health and Social Behaviour*, 31, 123-40.
- Harris, E. and Morrow, M. (2001) Unemployment is a Health Hazard: The Health Costs of Unemployment. *Economic and Labour Relations Review*, 12 (1), 18-31.
- Isaksson, K., Hellgren, J. and Petterson, P. (1999) Repeated Downsizing: Attitudes and well-being for surviving personnel in a Swedish retail company, in Isaksson, K., Hogstedt, C., Eriksson, C. and Theorell, T. (eds) *Health effects of the new labour market*, Kluwer/Plenum Press: New York, 85-101.
- Iverson, R.D. (1999) An event history analysis of employee turnover: The case of hospital employees in Australia. *Human Resource Management Review*, 9 (4), 397-419.
- Jiang, J.J. and Klein, G. (2000) Effects on downsizing policies on IS survivors' attitudes and career management, *Information and Management*, 38, 35-45.
- Jones, E. and Fletcher B. (1993) An empirical study of occupational stress transmission in working couples, *Human Relations*, 46, 881-902.
- Kets de Vries, M.F.R. and Balazs K. (1997) The downside of downsizing, *Human Relations*, 50 (1), 11-50.
- Kets de Vries, M.F.R. and Balazs K. (1996) The human side of downsizing, *European Management Journal*, 14 (2), 111-120.
- King, J.E. (2000) White-collar reactions to job insecurity and the role of the psychological contract: implications for human resource management, *Human Resource Management*, 39 (1), 79-92.
- Kivimaki, M., Vahtera, J., Pentti, J. and Ferrie, J. (2000) Factors underlying the effect of organisational downsizing on health of employees: longitudinal cohort study. *British Medical Journal*, 329, 971-975.
- Kivimaki, M., Kalimo, R. and Julkunen, J. (1996) Components of Type A behavior pattern and occupational stressor-strain relationship: testing different models in a sample of industrial managers. *Behavioral Medicine*, 22, Summer.
- Kriesler, P. and Nevile, J. (2000) Symposium on the costs of unemployment: Introduction. *Economic and Labour Relations Review*, 11 (2), 178-79.
- Kriesler, P. (2001) Symposium on unemployment, job insecurity and health: Introduction. *Economic and Labour Relations Review*, 12 (1), 1-3.
- Lapore, S.J. (1995) Cynicism, social support, and cardio-vascular reactivity, *Health Psychology*, 14 (3), 210-216.
- Larson, J.H. (1984) The effect of husband's unemployment on marital and family relations in blue-collar families, *Family Relations*, 33, 503-511.



- Littler, C.R. and Innes, P.A. (1999) How Firms Contract – A Longitudinal Study of the Effects of Downsizing on Firm Employment Structures, School of Management, University of Tasmania: Hobart.
- Luthans, B.C. and Sommer, S.M. (1999) The impact of downsizing on workplace attitudes, *Group and Organization Management*, 24 (1), March, 46-70.
- Martikainen, P.T. and Valkonen, T. (1996) Excess mortality of unemployed men and women during a period of rapidly increasing unemployment, *The Lancet*, 348, October 5, 909-912.
- Miller, T., Smith, T., Turner, C., Gujjarro, M. and Hallet, A. (1996) A meta-analytic review of research on hostility and physical health, *Psychological Bulletin*, 119, 322-48.
- Mishra, K.E., Spreitzer, G.M. and Mishra, A.K. (1998) Preserving employee morale during downsizing, *Sloan Management Review*, Winter, 83-95.
- Mishra, A.K. and Spreitzer, G.M. (1998) Explaining how survivors respond to downsizing: the roles of trust, empowerment, justice, and work redesign, *Academy of Management Review*, 23 (3), 556-588.
- Nelson, D.L. and Quick (1985) Professional women: are distress and disease inevitable? *Academy of Management Review*, 10, 206-213.
- Noer, D. (1993) Healing the wounds – Overcoming the trauma of layoffs and revitalising downsized organisations. San Francisco: Josey-Bass.
- North, F., Syme, S., Feeney, A., Head, J., Shipley, M. and Marmot, M. (1993) Explaining socioeconomic differences in sickness absence: the Whitehall II study, *British Medical Journal*, 306, 361-6.
- Ostry, A., Marion, S., Green, L.W., Demers, P., Teschke, K., Hershler, R., Kelly, S. and Hertzman, C. (2000) Downsizing and industrial restructuring in relation to changes in psychosocial conditions of work in British Columbia sawmills, *Scandinavian Journal of Work, Environment and Health*, 26 (3), 273-278.
- Quinlan, M. (1998) Labour market restructuring in industrialised societies: An overview, *Economic and Labour Relations Review*, 9 (1), 1-30.
- Quinlan, M., Mayhew C. and Bohle P. (2001) The global expansion of precarious employment, work disorganisation, and consequences for occupational health: A review of recent research. *International Journal of Health Services*, 31 (2), 335-414.
- Reismann, D.B., Orris, P., Lacey, R. and Hartman D.E. (1999) Downsizing, role demands, and job stress. *Journal of Occupational and Environmental Medicine*, 41 (4), April.
- Sahdev, K., Vinnicombe S. and Tyson S. (1999) Downsizing and the changing role of HR. *International Journal of Human Resource Management*, 10 (5), 906-923.
- Shah, P.P. (2000) Network destruction: the structural implications of downsizing, *Academy of Management Journal*, 43 (1), 101-112.
- Simpson, R. (2000) Presenteeism and the impact of long hours on managers, in Winstanley, D. and Woodall, J. (eds) *Ethical issues in contemporary human resource management*, Macmillan Business: Basingstoke, 156-71.
- Smith, T.W. (1992) Hostility and health: current status of a psychosomatic hypothesis. *Health Psychology*, 11 (3), 139-150.
- Sparrow, P.R. (1996) Transitions in the psychological contract: Some evidence

- from the banking sector. *Human Resource Management Journal*, 6 (4), 75-94.
- Toner, P. (2000) Changes in industrial structure in the Australian construction industry: Causes and implications. *Economic and Labour Relations Review*, 11 (2), 291-307.
- Umiker, W. (1999) The essentials of compassionate downsizing, *The Health Care Supervisor*, June, pp. 63-69.
- Vahtera, J., Kivimaki M., Uutela, A. and Pentti, J. (2000) Hostility and ill health: role of psychosocial resources in two contexts of working life. *Journal of Psychosomatic Research*, 48, 89-98.
- Vahtera, J., Kivimaki M. and Pentti J. (1997) Effect of organizational downsizing on health of employees, *The Lancet*, 350 October (18), 1124-1128.
- Voydanoff, P. (1990) Economic distress and family relations: a review of the eighties, *Journal of Marriage and the Family*, 52 November, 1099-1115.
- Wahlstedt, K. and Edling C. (1997) Organizational changes at a postal sorting terminal—their effects upon work satisfaction, psychosomatic complaints, and sick leave, *Work and Stress*, 11 (3), 279-291.
- Watkins, P.L., Ward, C.H., Southerd, D.R. and Fisher E.B. (1992) The type A belief system: relationships to hostility, social support, and life stress. *Behavioral Medicine*, 18 Spring, 27-32.
- Watts, M.J. and Mitchell W.F. (2000) The costs of unemployment in Australia. *Economic and Labour Relations Review*, 11 (2), 180-197.
- Westman, M. (2000) Gender and job insecurity, in Burke, R.J. and Cooper C.L. (eds) *The organization in crisis*, Blackwell, U.K, pp.119-131.
- Westman, M. and Vinokur A.D. (1998) Unraveling the relationship of distress levels with couples: common stressors, empathetic reactions, or crossover via social interaction? *Human Relations*, 51 (2), 137-156.
- Wilson, S.M., Larson J.H and Stone K.L. (1993) Stress among job insecure workers and their spouses, *Family Relations*, 42, 74-80.