HEALTH IN RESTRUCTURING: INNOVATIVE APPROACHES AND POLICY RECOMMENDATIONS (HIRES)

Prof. Dr. Thomas Kieselbach

Institute for Psychology of Work, Unemployment, and Health (IPG), University of Bremen/Germany
Board Member of International Commission on Occupational Health (ICOH)

Abstract: The health dimension of enterprise restructuring is a widely neglected area of research, intervention and public concern. The HIRES expert group “Health in Restructuring” (HIRES) (supported by DG Employment in the PROGRESS programme) 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 expertise, the HIRES group also analysed empirical evidence on the health impact of organisational restructuring, including evidence about the effectiveness of steps taken to limit the adverse health effects. Here findings and suggestions are reported.

Key words: health, restructuring, HIRES, EU

1. Introduction

The health dimension of enterprise restructuring is a widely neglected area of research, intervention and public concern. The HIRES expert group “Health in Restructuring” (HIRES)\(^1\) (supported by DG Employment in the PROGRESS programme) 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 expertise, the HIRES group also analysed empirical evidence on the health impact of 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.

2. Restructuring and its effects over health

Restructuring is taking place in every competing organisation; therefore it 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, off-shoring, sub-contracting, merging, delocalisation, internal job mobility or other complex internal reorganisations.

\(^1\) The expert group was co-ordinated by Thomas Kieselbach; (IPG, U Bremen, Germany); project partners: Elisabeth Armgarth (HRM Ericsson, Sweden), Sebastiano Bagnara (U Sassari, Italy), Marc DeGreef (Prevent, Belgium), Anna-Lisa 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).
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.

3. Issues addressed by the HIRES expert group

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?

4. Findings of the HIURES expert group

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 re-internalisation 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 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.

5. HIRES policy recommendations

The HIRES group has derived a set of 12 recommendations for a future European Framework for the development of healthier ways of enterprise restructuring: these were derived from an analysis of the case studies, their own experience and that of external experts. Thus, we want to enlarge the predominant narrow concept of health in restructuring that limits itself to the economic dimension of organisational change. We attempt to draw 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.

5.1. Monitoring and evaluation

There is an urgent need for more contextualized empirical data on the health effects of restructuring. In order to get a comprehensive view of the extent of the problems in the EU member states, as well as to investigate causal
pathways through which restructuring efforts affect health, the well-being of those undergoing restructuring must be monitored and evaluated at EU, national, regional and company level.

5.2. Direct victims of downsizing: The dismissed
The loss of employment in the context of societies centred around work has to be considered as a fundamental stressor that is associated with serious risks of health impairment and of social exclusion. Therefore a central concern of the HIRES recommendations must focus on the maintenance of psychosocial health or on limiting the adverse health impact of those who are going to be dismissed as a consequence of restructuring.

5.3. Survivor reactions and organisational performance
The success of any restructuring attempt is normally dependent on the reactions of its survivors (those who stay at the organisation after the restructuring). Organisational downsizing, but also any other restructuring that generates high levels of job insecurity among the employees, even where there are no layoffs, is unlikely to achieve the intended outcomes such as cost minimisation or productivity enhancement, if the health of the survivors is adversely affected by the restructuring. Additionally there are the direct costs of the health effects on survivors such as increased absenteeism and health treatment expenses to consider.

5.4. Managers responsible for the restructuring process
Middle managers are an often overlooked group in restructuring despite the crucial role they play in the process. On the one hand, they are key players in facilitating a smooth process, in that they function as the ‘central nervous system’ of the organisation: they convey the visions of senior management and are often responsible for interpreting the overall decisions into concrete action and changing existing practices. On the other hand, they are themselves at risk of suffering from the stress of restructuring – partly due to their sandwich position in management.

5.5. Organisational anticipation and preparation
Employers should anticipate that they may need to restructure by ensuring that their employees are given the skills necessary to successfully adapt to restructuring. Essentially, this means providing employees with skills training that enables them to be more flexible and move both within the organisation and within the wider labour market; so that those employees are better able to re-enter the labour market if they lose their jobs.

5.6. Experienced justice and trust
Trust is critically dependent on the employee believing that the employer is treating them fairly. Fairness in this context is experienced in three dimensions of justice: distributive, procedural and interactional justice. To maintain employees’ trust through the period of uncertainty created by restructuring employers, social partners and policy makers need to systematically address all three dimensions.

5.7. Change communication plan
Adequate communication is vital to the restructuring process. Employers should have a communication plan in place for any proposed restructuring. Restructuring can often be a time of uncertainty even for the managers involved. That uncertainty is a key stress factor for those affected by the restructuring.

5.8. Protecting contingent and temporary workers
Temporary and agency workers – sometimes referred to as contingent or peripheral workers – should be given the same rights to health promotion in restructuring as those directly employed by the main employer where the nature of the work they are undertaking is long term work directed by the main employer.

5.9. New directions for Labour Inspectorates
There is already an ongoing debate on the possible change of the role and the objectives of labour inspection as well as its capacity to effectively deal with the transformations of employment, workers and enterprises (initiated by the ILO and SLIC). Therefore, labour inspectorates have to take change in a broader sense into account, which should also include restructuring issues.

5.10. Strengthening the role of Occupational Health Services
The use of Occupational health (OH) services should be given a higher priority in supporting employees’ health before, during and after restructuring. Consequently the provision of OH services should include preventive work place health promotion activities and risk assessment. Longitudinal cooperation between OH services, employers and employees creates the necessary trust and basis for competent advice and help that fits the local
needs in a restructuring situation. Thus traumatic individual crises and drawbacks for functional capacity and employability can be avoided. At the same time company image and organisational performance can be enhanced.

5.11. Specific support for SMEs in restructuring
The analysis of innovative cases shows that a number of larger companies have developed effective mechanisms for handling the organisational and individual health problems of restructuring in a way that other enterprises and other member states can draw lessons from. The specific weakness, however, often lies within SMEs which cannot dispose of comparable internal HR resources and often lack the necessary knowledge about external support offers that might facilitate and ease the full process of organisational restructuring in the interest of the individuals affected as direct victims or as survivors of the organisational change.

5.12. New initiatives needed in Europe
Finally, there are some recommendations that are directed more generally to a change of discourse on CSR, employability and career management on the European level.

- Open the CSR concept to the health impact of restructuring
- Establish routine health promotion initiatives
- Normalise the dialogue on career change and employability

6. HIRES PLUS: A follow-up project
The HIRES recommendations on the level of the EU, even though they are based on comprehensive material and broad knowledge, have to be brought down to the national, regional and company level in order to refine the relevant issues. It will therefore be the main task of the follow-up project of HIRES, which has already found the support of DG Employment – HIRES PLUS – to contextualise our results in the light of concrete experience and backgrounds of 13 countries. This time we will include experiences from a wider range of countries from Western and Eastern Europe. By translating our expertise to the different national levels, to 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.

7. End remark
The Final Report was published in April 2009: