

# **The Psychological Effects of Downsizing and Privatisation**

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## Abstract

In this paper we examine the psychological effects of downsizing and redundancy on those remaining within organizations after large scale redundancy programs. While there have been a number of studies of this type in the recent past, our task is to explore the impact of redundancy in a recently privatized organization in the UK. This, we argue, is a particularly fertile area of study given the radical changes that have affected organizations in the UK that have been subjected to privatization. The core study is supplemented by a series of related studies conducted in both public and private sector organizations. Our research explores the impact of redundancy at two levels - the individual level and the organizational level. First, we examine the emotional, attitudinal and behavioral effects of redundancy on survivors and the resultant implications for management: in particular the changing role of line managers where delaying and redundancy has taken place. Second, we explore the impact of redundancy on the organization in terms of organizational morale, motivation, organizational loyalty and job security where redundancy has and has not been used as a method of downsizing.

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# The Psychological Effects of Downsizing and Privatisation

## Introduction

There is a growing body of literature which examines the psychological effects of downsizing and redundancy on those remaining within organizations after large scale redundancy programs have been implemented. While there have been a number of studies of this type in the recent past particularly in the USA, our task is to explore the impact of redundancy in a recently privatized organization in the UK. This, we argue, is a particularly fertile area of study given the radical changes that have affected organizations in the UK that have been subjected to privatization. The core study was conducted in a power supply company but these findings have been supplemented by a series of related studies conducted in both public and private sector organizations and, in particular, by a five year research program being conducted in the UK to assess the impact of organizational change on managers' perceptions and work experiences (Worrall and Cooper, 1997). Our research explores the emotional, attitudinal and behavioral effects of redundancy on survivors and the resultant implications for management: in particular the changing role of line managers where delayering and redundancy has taken place. We also explore the impact of redundancy on the organization in terms of job related stress, organizational commitment, decision making, turnover intention and several measures of job satisfaction. One of our prime objective is to test if the findings of studies in the USA accord with our findings in the UK despite the different legal and socio-political frameworks in which redundancy has been implemented as a means of achieving organizational change.

This paper comprises four main sections. In the first section, we describe the context for our research as we review the extent of redundancy and downsizing in the UK focusing particular attention on the domain of our study, the former public utilities sector in the UK. In the second section, we review the literature on redundancy and downsizing to develop the context in which our empirical research has taken place and to establish the specific questions that our research sought to address. The third section is the empirical section of the paper in which we test the research questions identified from our review of the literature. In the final section, we discuss our findings and comment on the similarities and differences of workers' experiences of redundancy in different national and industrial settings.

## The research context: redundancy and downsizing as dimensions of organizational change in the UK

In order to contextualize our research, it is important to establish the extent of downsizing and redundancies in Britain. As many of the background theories have been developed in North America, they all recognize that since the late 1980s nearly all of the American Fortune 1000 firms have engaged in downsizing (Kets de Vries & Balazs, 1997). Like America, the number of organizations and jobs affected by redundancy in Britain is staggering. For example, in Spring 1998 over 200,000 employees were made redundant (Labour Force Survey, 1998) across all regions and industries, with the biggest concentration of redundancies being in manufacturing. While much emphasis has been placed on the numerical scale of redundancy, we argue that insufficient attention in the UK has been placed on examining the human and wider organizational impacts of redundancy. Indeed, the majority of empirical work in this field has been produced in the United States or Canada (see Armstrongstassen, 1993b; Brockner, 1988; 1990; 1992; Burke & Nelson, 1997; Davy, Kinicki & Scheck, 1991; Tomasko, 1992).

Our objective is to report on similar research that has been conducted in the UK to assess whether experiences in the UK accord with those elsewhere and to assess the generalisability of these studies

to organizations within Britain given that the legislative procedures that surround redundancy in the United States and the UK differ considerably. The analysis presented here relates to the privatization of a large power generation company in the UK. In particular, the research explores the effects of redundancy on one site where individuals were experiencing, at worst, the threat of a complete site close down and the certainty of various cost cutting exercises (i.e., reduced overtime, short time working) being implemented.

In the UK improved economic growth has led to a fall in unemployment rates and a drop in the overall number of people being made redundant. Yet, an analysis of recent management and business practice indicate that redundancy as a downsizing method has been particularly prevalent in the UK (Cameron, 1994b; Worrall et al, 1999a,b). Over the past three years UMIST and the Institute of Management have been conducting a Quality of Working Life Survey which monitors the extent of organizational change on UK managers. The results from the 1999 survey show an increasing trend in the extent of organizational change (Worrall and Cooper, 1999). In 1997, 59 per cent of respondents to the survey had experienced some form of organizational change, by 1998 this had increased to 62 per cent and by 1999 the rate had again increased to 67 per cent. The survey also revealed that the overall use of redundancy has increased from 45 per cent in 1998 to 48 per cent in 1999 which reinforces the suggestion that redundancies remain a primary change lever (Worrall & Cooper, 1999). Kets de Vries & Blazas (1997) suggest that a major contributing factor is the increasing popularity of global benchmarking where businesses are increasingly comparing their overhead and cost structures not only with domestic competitors but also with international competitors. There is also compelling evidence that firms are increasingly trying to make labour become "more flexible" either by redefining terms and conditions (see Cooper and Lewis, 1994) or by replacing permanent employees by workers on temporary contracts (see Worrall and Cooper, 1998 who identify that the substitution of permanent staff by temporary and short-term contract workers has been particularly prevalent in the former public utilities in the UK). In addition, many companies have outsourced functions which they now no longer regard as "core business". The result of all these effects has been to decrease the headcount of many firms.

A second contributing factor has been the ever constant changes in technology, communications and automation. Rifkin (1999) suggests that technology and increasing capital intensity have reduced the need for "labour" in every manufacturing sector and he argues that by the year 2020 less than 2 per cent of the entire global workforce will be engaged in factory work. However, research in the UK suggests that, apart from manufacturing, the service sector is also undergoing substantial restructuring particularly in the banking, insurance, wholesale and retail sectors (Labour Force Survey, 1997;1998;1999). Finally, but by no means insignificantly, redundancy is often the price paid for strategic errors made by top management, for example the erroneous interpretation of market trends or by the failure to adjust to increasingly global competition (Kets de Vries & Blazas, 1997).

Having discussed the general context of industrial and organizational restructuring and change in the UK and the major part that redundancy has played within these processes, it is important to describe the industrial and socio-political context in which our research has been conducted. In the UK, prior to the election of the 1979 Conservative government, there was an established tradition of nationalized industry. The "public utilities", as they were known, included British Gas, British Telecom, British Rail, the National Coal Board and a host of regional water and electricity "boards". Under the post 1979 conservative administrations there was a wholesale transfer of these very large organizations from public ownership to the private sector. These transfers immediately put organizations which had been substantially sheltered from national and international competition into domains that rapidly became fiercely competitive. The impacts were severe for workers: in many instances rapid downsizing took place and, for the survivors, the whole ethos of the organizations into which they had become acculturated changed away from an ethos based on the protectionism afforded by working for a nationalized business and considering oneself to be a "public servant" to the vicissitudes and market-driven competition of the private sector. For those people who survived the privatization process, managerial mind sets, behaviors, competences and attitudes had to change over

night with organizations such as British Gas, for example, investing several million pounds in large scale corporate culture change programs.

The case study organization discussed in this paper, experienced massive redundancies throughout the process of privatization. Both voluntary and involuntary redundancies were employed. Through the privatization of the Power Company a number of benefits were listed in their Annual Report including an increase in manpower productivity of 13 per cent, UK operating costs were reduced by 21 per cent and prices to customers were reduced by 7 per cent<sup>1</sup>. However, the results from the current study suggest that although some of the hard targets of business performance reported in the annual accounts to shareholders may have been achieved, the overall effect of the downsizing on the remaining workforce has caused almost irreconcilable problems none of which were reported or reportable in the annual report. This is an issue of considerable concern and one that has been reflected throughout the Quality of Working Life project (Worrall and Cooper, 1997) where it is argued that in their corporate reporting of organizational change, many firms take a very partial view of the impact of change focusing exclusively on “hard”, “bottom line” measures of business performance. We would argue that a more socially complete view of the impact of organizational change is needed particularly where redundancy is involved given that we have demonstrated elsewhere (Worrall et al, 1999a,b) that the impact of redundancy on organizations tends to be more severe on workers’ attitudes, behaviors and perceptions than other forms of organizational change. Indeed, the purpose of this paper is to measure some of these effects.

During the period of this study, the work force at the main site where this research was conducted was reduced by 70 per cent. From the outset, management stated there would be no ‘compulsory’ redundancies and that anyone leaving would do so voluntarily through the company Voluntary Selection Scheme (VSS). However, by the end of the change process, a number of individuals who had not been allocated posts in the new structure were made involuntarily redundant despite the original assurances from management. This was justified by a change of senior management mid-way through the re-organization. Yet, regardless of the type of redundancy the psychological effects on those remaining were found to be damaging to organizational morale, commitment and job satisfaction and to have resulted in heightened levels of stress. Having described the context of our research, we now review the literature on the impact of redundancy on survivors.

### **The impact of redundancy on survivors: a review of the literature**

The aim of this review is to summarize the range of survivor reactions previously identified and explored in the literature. As we pointed out earlier, the majority of research in this area is from the US: in this section we have attempted to draw together the results of this research to develop an overview of survivor reactions to redundancy in order to test their generalisability within UK organizations.

Early research in this area concentrated on individuals having to cope with unexpected job loss and the effects of long term unemployment. Studies began by looking at the effects of involuntary job losses and the effects on the unemployed (see, for example, the work conducted by DeFrank and Ivancevich, 1986; Leana and Ivancevich, 1987; Leana and Feldman, 1994). These studies indicated that there were emotional, physical, social and psychological effects on the individual. Further research looked at the effects of employee turnover on the individual and the effects of turnover on those remaining employed after redundancy programs had been implemented (see Mowday, 1981; Brockner & Kim, 1993). This literature provided some insight into survivor reactions to redundancy, whereby survivors may evaluate the effects on those made redundant and how that influences their own reactions. However, it was not until the mid 1980s that the focus changed from voluntary turnover to involuntary turnover or redundancies. Redundancies or ‘layoffs’ as they are termed in the US, have since become the focus for many researchers. The early literature relating to redundancy and

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<sup>1</sup> Due to the nature of the research the identity of organisation has been kept confidential.

downsizing focused mainly on the reactions of those who were made redundant (Arroba, 1979). Yet, following numerous US newspaper articles which speculated about disillusioned employees and the rise of job insecurity for blue collar workers, a tranche of articles in practitioner and academic journals began to focus downsizing and how it was effecting the individual survivor. However, much of this literature was not of empirical basis. For example, an article written by an American psychologist and consultant commenting on her experience (Machlowitz, 1983), drew comparisons with 'survivors of Hiroshima' and she noted a sense of isolation, betrayal, guilt and a loss of self confidence among organizational survivors. From a more academic perspective, the principal US researcher, Brockner, (see Brockner, 1990) formed the basis of many studies investigating the effects of layoffs on the individual. Brockner et al (1990;1992) used a variety of frameworks and perspectives to explain and predict survivor reactions, from the use of equity theory and justice theories, to a more psychological perspective using psychological states such as self esteem and stress theory. There are very few studies based in the UK which directly discuss the types of reactions survivors experience and the reasons behind these reactions. In particular few empirical studies have attempted to delineate the emotional and attitudinal and behavioral reactions of survivors.

As the majority of the early US studies were quantitative or laboratory studies, the methodology used may to some extent restrict an in-depth understanding of peoples' emotional reactions to redundancy, the external validity of these laboratory findings is therefore questionable. However, the following section attempts to encapsulate some of the emotions, psychological states and work attitudes which have been derived from previous studies in the US.

Empirical evidence (e.g. Greenhalgh, 1983; Armstrongstassen, 1993a) suggests that the post layoff environment can be stressful for a number of reasons: survivors are worried about their own job security, there may be anger associated with the process by which the redundancy program has been implemented and there may be concerns about the creation of heavier workloads due to the reduction of manpower. Brockner (1988) suggests that the onset of stress typically leads to changes in survivors' work attitudes and behaviors such as reduced organizational commitment, job satisfaction and increased turnover intention.

Several articles identified emotional responses in survivors such as guilt, betrayal and isolation (e.g. Machlowitz, 1983). These employee reactions were compared to survivors of other distressing events, such as natural and man made disasters. Brockner et al. (1985) undertook a study directly related to layoffs, or rather designed to simulate a 'layoff' situation in a laboratory study using students who were required to complete a proof reading task. The students were then subjected to a 'layoff' and were subsequently asked to complete a questionnaire to investigate how they had felt and whether or not they felt the process had been fair. The results found, in support of equity theory, that following layoffs 'survivors' experienced increased feelings of remorse and negative attitudes towards co-workers (in order to redress the balance of inequity). Secondly, the study revealed that those who perceived there to be an injustice produced less in their second proof reading task simultaneously suggesting that layoffs have the potential (negatively) to influence productivity. Although, this study gives an insight into the way in which an individual may react to a situation considered to be 'unfair', it is perhaps unrealistic to suggest reactions of students accurately reflect those facing long term unemployment or the threat of future job loss. Furthermore, these results highlight the immediate responses of an individual but do little to explain what the long and medium term effects of redundancy can have on survivors, their work and their expectations of the organization that they work within.

Brockner and his colleagues (1986) later conducted a similar study using a field study (in the retail industry) to back up their lab results. Again, based on equity theory, the results reported feelings of anger, anxiety, guilt and relief. Survivors were reported as feeling angry towards management and the way they had been treated. They were anxious as to whether or not they would be laid off in the future and felt relief and guilt about retaining their job whilst others were losing theirs.

From a slightly different perspective, another US study identified the concept of survivor 'envy' (Cameron, Freeman & Mishra, 1991). This was exhibited when survivors were jealous of those who left the organization. This raises the question as to who are considered the 'lucky ones', those who leave or those who stay. Noer (1993) suggests that survivors were resentful of being made to feel as if they were the lucky ones and should feel happy that they still had a job. This may be particularly true when in reality, those who remain are faced with a heavier workload, more responsibility and potentially more stress.

Brockner et al (1988) investigated the level of job involvement following layoffs. Their research found that in a mild layoff condition work ethic was a predictor of job involvement, in that those with a strong work ethic are less affected by layoffs. However, in a severe layoff situation, work ethic was not a predictor of involvement suggesting that in large scale organizational change, even those with usually able to cope are affected by layoffs. Work by Sutton & D'Aunno (1989) support this findings and suggest that stress can be a significant outcome of layoffs combined with feelings of threat and worry and that survivors can become 'frozen' by stress and uncertainty.

Job insecurity can also be seen to be induced by layoffs. Ashford, Lee & Bobko (1989) identified a gap in the previous research and noted the lack of a widely used comprehensive measure of job insecurity. They found that job insecurity leads to reduced commitment and reduced job satisfaction. Furthermore, their US survey found that the lack of predictability and lack of control (over organizational processes) may induce job insecurity. This can be interpreted that in a layoff situation, employees often have little or no control over the outcome or procedure which in turn generates insecurity, reduced commitment and job satisfaction.

By 1990, research into survivors had taken a step forward from the earlier stance with equity theory, towards the use of justice theory. Brockner and Greenberg (1990) proposed that the use of organizational justice may enhance a more comprehensive understanding of why survivors react in the way that they do. This theory enabled researchers to expand the issue of 'fairness' of the layoffs to include the outcome, procedures and interpersonal treatment received by employees. Konovsky and Folger (1991) also looked at layoffs from the perspective of organizational justice. However, their study concentrated on leavers rather than survivors. The results found that leavers were less likely to hold negative views of the organization if they perceived fairness in the layoff decision and process (distributive and procedural justice respectively). A later study conducted by Naumman, Bies and Martin (1995) investigated the effects of organizational support and interactional justice on the victims (leavers) of layoffs. Their study found that interactional justice was associated with organizational support and organizational support was positively related to organizational commitment. In terms of survivors of layoffs, this may suggest that both interactional justice and organizational support helps to explain the effects of post redundancy commitment to an organization. Similarly, a study conducted by Burke and Greenglass (1998) investigating the effects of union support during organizational restructuring at a hospital found that those receiving greater levels of union support had more positive responses in terms of satisfaction and personal well being.

Again from a US perspective, Noer (1993) described what he calls 'survivor sickness', encapsulating feelings of fear, anxiety, depression, guilt, a sense of loss and anger. In terms of behaviors, he recognized a tendency to avoid risks and defensiveness among survivors. As with previous studies Noer (1993) believed that these reactions are influenced by the level of injustice they perceive in the process and the extent to which the employment/psychological contract is changing.

Reilly, Brett and Stroh (1993) suggested similar reactions and proposed that as downsizing increases, survivors become more loyal to their own careers than to the organization they work within. This suggests that the internalization of loyalty may effect organizational commitment and the ability of organizations to retain key staff. Furthermore, Davy, Kinicki & Scheck (1991) in their extension of Brockner's earlier work found that survivors job satisfaction, organizational commitment and intention to withdraw/turnover could *all* be effected by layoffs. In particular, Davy, Kinicki &

Scheck (1991) found that survivors who perceived a lack of control were more likely to leave the organization. In terms of the current study, these results suggest that organizations are in danger of losing too many employees, not the 'right' employees and may, in time, be faced with unmotivated, dissatisfied, and uncommitted employees.

In a survey of employees within a US telecommunications company Armstrongstassen (1993a) found that survivors of different organizational levels actually received different interpersonal treatment, at least in the provision of information and communication during layoffs. Armstrongstassen (1993a) noted that trust in the company was lost, survivors felt insecure and organizational morale diminished. It is argued here that managers and non managers are expected to respond differently to redundancies for a number of reasons, primarily as they are party to more information, but also as they have a greater level of control over their work environment and decision making. In addition, Armstrongstassen (1993a) found that those survivors who had seldom or never experienced redundancy in their department exhibited more negative reactions than those who had experienced numerous layoffs. This would suggest that unexpected redundancies which are also perceived as unjust or against the organizational norm are more likely to create negative responses from survivors.

Previous studies in the US have clearly identified a wide range of emotional, attitudinal and behavioral responses in survivors following layoffs. These studies have also attempted to delineate the causes of these reactions, such as the perceived fairness of the process, relationships with leavers, organizational support, level of control and interpersonal treatment received from management. However, these studies do not differentiate survivors reactions in relation to the context of the type of organizational change. As it is argued here that in particular, certain survivor reactions may be more prevalent during a privatization induced redundancy program due to the greater perceived violation of the psychological contract.

We argue that employers need to take a more holistic - or socially complete - view of the full costs of redundancy. While radical headcount reductions will clearly make an impact of the "bottom line" - and, in many cases in the UK, the announcement of layoffs has been accompanied by large increases in an organization's share price - the cost of lost loyalty, shifts in commitment from the organization to self, the erosion of organizational tacit knowledge bases and the rise of more mercenary behaviors and attitudes all impose hidden - and substantial - costs.

This paper will continue by answering the following two research questions;

- (i) what are survivors reactions to a large scale redundancy program within a privatized UK organization; and,
- (ii) what factors influence the strength of their reactions?

This will be followed by a discussion of how survivors' reactions, in a UK context, compare and contrast with those reactions highlighted by previous studies in the US.

## **A Study of the impact of redundancy on survivors in a UK power company**

### **Methodology**

The purpose of this research was to explore individuals' reactions to the redundancy process within a recently privatized and downsizing organization. It attempted to seek new insights and assess previous findings in a UK context. As suggested earlier, previous research had used either experimental or quantitative, methods to understand survivors' reactions. However, in a business investigation given the complexity of organizational change it is often not possible to change one variable and observe what happens (Robson, 1993). Therefore, in order to explore the research questions, which involve analyzing several variables such as loyalty, commitment and "stress" within an organizational context, a case study approach involving in-depth interviews which took a deeper

look at the reasons behind individuals responses was considered more appropriate. This was, however, supported by the use of a questionnaire using a host of previously validated measures.

Within the case study in-depth interviews were conducted involving a cross section of surviving employees. Interviews were also conducted with the company 'change agent', the HR Director, the Station Manager and other key personnel involved in the change process. This was supported by a company wide survey of all employees. The interviews were semi-structured and covered a variety of topics surrounding the redundancy process, survivors perceptions of organizational commitment, morale, stress, relationships with co-workers, management and their work environment. All interviews were tape recorded, transcribed and subsequently analyzed using content analysis.

### **Results: survivors emotional and attitudinal responses**

The redundancy was a great shock for all employees, each survivor interviewed expressed 'disbelief' at what was happening to them and the company. The organization had never experienced a downsizing before and this came as a huge 'culture shock' for the employees particularly given the organization's history as a privatized business and the employee's self-perception as "public servants". Similarly, employees were unprepared and shocked at the perceived damage (i.e., change in atmosphere and business ethos) the redundancies caused to their work environment, their relationships with their co-workers and their relationship with management.

From a wider perspective, the Power Company was the major employer in the area and employees perceived themselves as a large family, with many of the employees living locally and working alongside relatives. Employees described a strong identification with the organization, management and their co-workers prior to the privatization. Over half of the survivors felt that they would not know how to find work elsewhere and leaving the area would mean a complete 'upheaval'. In this environment, it was clear that employees' working lives, home lives, kinship relationships, extended family relationships, sense of community and sense attachment to a location had all become conflated.

'I've worked here for years, so has my brother in law, its the same for a lot of people'

'Its [the redundancies] wrecked people, it destroyed them, when you have been in a job so long you get insulated from the outside - you haven't got a clue how to find work outside really.'

Survivors' feared leaving the organization, many of them would have to move, or travel some distance to find comparable work elsewhere. Redundancy signified for some a complete change of lifestyle. Employees had become increasingly specialized and felt that finding similar work elsewhere for an equivalent wage would be particularly difficult. The results indicated that as the redundancy process progressed, survivors grew increasingly bitter and angry towards management and the way in which they and leavers were being treated.

'It was terrible, those of us who had friends leaving were very bitter'

'A lot of people went off sick, they just didn't care anymore'

There was a perception among those remaining that it no longer mattered what you did because the same was going to happen to you sooner or later. People were preparing themselves for the worst to happen. Feelings of fear and job insecurity were very strong amongst survivors.

The research found the following to be key factors found to influence survivors' reactions to the downsizing:

- the way in which redundancies had been decided (i.e. the way that individuals were selected);
- the way that individuals had been notified,

- the effectiveness of communications (or lack of adequate, clear, believable information) throughout the process;
- the perceived fairness of the selection criteria; and,
- the aftercare of leavers and interpersonal treatment received from line management.

In particular, the line manager’s role was found to be important in understanding how survivors coped with the redundancies. Those with a ‘good’ relationship with their line manager in terms of trust, support and communication were found to be less likely to respond negatively towards the redundancies.

The survivors reactions in the Power Company were wide and varied. However, in an attempt to understand the extent to which the respondents felt each of the emotions, a frequency count of the specific emotions and attitudes was calculated. Table 1 outlines the five levels of emotions ranging from most frequent (level 1) to least frequently mentioned (level 5). Not surprisingly, the emotions and attitudes expressed by the survivors are distinctly negative. The only positive response was ‘happy’ and this was associated with those who wished to leave in the next round of redundancies.

**Table 1.** Summary of power company survivors reactions

<b><u>Level 1</u></b> Unfairness, Mistrust, Shock, Demoralization.
<b><u>Level 2</u></b> Worry, Stressed, Devastated, Disgusted, Threatened.
<b><u>Level 3</u></b> Overworked, Fear, Pressurized, Bitter, Hurt, Undervalued, Angry, Lack of Sleep
<b><u>Level 4</u></b> Uncertainty, Unmotivated, Traumatized, Panic, Disillusioned, Guilty.
<b><u>Level 5</u></b> Isolated, Happy (to go), Disbelief, Low Self Esteem, Strange, Powerless, Depressed, Frustrated, Sarcastic, Suspicious, Aggressive, Tired.

The table suggests that the most frequently expressed emotions by survivors in the Power Company were perceptions of unfairness, mistrust, shock and demoralization. Survivors perceived the process and procedures related to the redundancy as ‘unfairly’ implemented. These findings show that survivors felt a strong sense of being ‘let down’ by the organization and that their psychological contract with the organization had been broken. This not only ‘shocked’ the employees but destroyed the trust previously established between the management and survivors. The findings show that survivors blamed the organization for the redundancies although the reasoning behind the redundancies (privatization) was outside the control of management. Survivors were found to focus their negative reactions towards the management and in particular senior management throughout the redundancy program. By looking at the Level 2 emotions it is clear that their reactions were strong, with survivors reporting both ‘devastation’ and ‘disgust’. These emotions also suggest that survivors were feeling vulnerable by expressing ‘worry’ about their future and feeling ‘threatened’ by management.

As expected from the previous literature, feeling ‘stressed’ was high on the list of reactions to redundancies and survivors described how this was affecting their home and family life. The level 3 emotions included survivors feeling overworked, under pressure, hurt by the organization and bitter

towards its management. This illustrates the resentment that redundancies can breed within a downsizing organization.

At Level 4 in the table, one of the emotions reported by survivors was 'guilt'. Survivors described feeling guilty that many of their 'close friends' and co-workers were losing their jobs. This was magnified by survivors having to work alongside those who were leaving for a number of months while they worked out their period of notice. Another emotion described by survivors was 'disillusionment'. This was explained in that employees felt that the organization was 'no longer what it used to be'. The findings suggest that the survivors no longer felt any identification with - or loyalty to - the now privatized organization.

The emotions which were cited least frequently (Level 5) were equally negative. Survivors reported feeling isolated, suspicious, frustrated and even aggressive towards management. The findings illustrate that redundancies have the potential to influence survivors perceptions of their work environment, management and the organization as a whole. Following the privatization and redundancies the Power Company was clearly going to be faced with an unhappy workforce - which, we would argue, is not the type of workforce needed if the organization was to become competitive in its new working environment.

In support of the findings from the face-to-face interviews, the questionnaire also attempted to measure survivors emotions/attitudes through an adaptation of Folkman and Lazarus' (1985) work related stress scale. Their original scale was designed to measure the level of stress before, during and after an examination process. However, the range of negative emotions chosen by Folkman and Lazarus mirror the emotions derived from the qualitative stage of the current research. Therefore, the scale was adapted and used in our redundancy study. The scale measured survivor's level of stress through an analysis of their emotions during the redundancy process. The scale comprised fifteen different emotions which were designed to measure levels of threat, challenge, harm and benefit. The items were rated on a 5 point Likert scale (1 = not at all, to 5 = a great deal). Two additional items were used in the questionnaire asking how often survivors felt 'tired' or 'stressed'.

Table 2 below illustrates the emotions and attitudes rated by survivors in the Power Company throughout the redundancy process. The emotions and attitudes are sorted in to hierarchical order, with the most prevalent at the top.

**Table 2.** Survivors emotions and attitudes during the redundancy process

<b>Emotion</b>	<b>Mean Score</b>
Tired *	3.671
Stressed *	3.658
Angry	3.273
Worried	3.247
Disappointed	3.221
Anxious	3.195
Fearful	3.039
Sad	3.000
Hopeful	2.662
Happy	2.558
Disgusted	2.545
Confident	2.532
Eager	2.532
Pleased	2.532
Relieved	2.494

Exhilarated	2.091
Guilty	1.649

\* not included in original scale designed by Folkman and Lazarus (1985).

As can be seen, ‘tired’ and ‘stressed’ appear to be the strongest emotion felt by survivors. The next group of emotions/attitudes are anger, worry, disappointed, and anxious. These results support those identified in the interview stage of the research. Similarly, as with the qualitative results, respondents were unlikely to report the positive emotions such as confidence, eager, pleased or exhilarated. It is also interesting to note that very few of the survivors reported feeling ‘guilty’. This contradicts the findings from the interviews where survivors reported feeling ‘guilty’ about their co-workers and friends losing their jobs. However, these results clearly illustrate the negative effects which can be caused by redundancy during organizational downsizing.

To further calibrate the results from the Power Company, these results can be compared to the most recent results from the “Quality of Working Life” survey 1999 conducted by UMIST and the Institute of Management (see Worrall & Cooper, 1998;1999 for full details). The survey consists of a panel of 5,000 UK managers from the Institute of Management. To illustrate the effects of redundancy on UK managers’ perceptions, the results were broken down into three different organizational settings: organizations where there had been restructuring in the last year involving redundancy (31%); organizations where there had been restructuring without redundancy (33%); and organizations where there had been no restructuring in the last year (35%).

Consequently, the findings below focus on seeking to identify differences in the perceptions of managers on issues such as loyalty, morale, motivation and job security in organizations where there has been organizational change involving redundancy compared to managers in organizations where there has been restructuring without redundancy.

Table 3 illustrates that the effect of change on managers’ perceptions of job security was more profound in organizations where redundancy had been used than where it had not. The results show that where redundancy was used only 26% of managers were satisfied with job security compared to 50% in the change without redundancy and 53% with the no change situation.

**Table 3.** Level of satisfaction with job security

Type of change	Very satisfied	Satisfied	Neither	Dissatisfied	Very dissatisfied	Total
Change with redundancy	5.4%	20.4%	32.6%	23.9%	17.7%	100.0%
Change without redundancy	12.0%	38.6%	29.6%	15.0%	4.8%	100.0%
No change	16.4%	36.3%	28.5%	15.0%	3.8%	100.0%

Similarly, Table 4 shows that where redundancy has been used, managers are less likely to be committed to the organization than where redundancy has not been used or where there has been no organizational change.

**Table 4.** Commitment to organization has increased

Type of Change	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Change with redundancy	3.8%	21.5%	34.2%	29.9%	10.6%	100.0%
Change without redundancy	7.1%	30.6%	36.5%	22.0%	3.8%	100.0%

No change	8.1%	29.9%	40.4%	18.4%	3.1%	100.0%
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When asked about the effect of change on managers perceptions the results from the QOWL support those found in the Power Company, in that survivors were found to have low morale, loyalty and motivation. In particular the QOWL findings show how these relate to those managers who had not experienced redundancy (see Table 5). As can be seen, 73% of managers perceived a decrease in morale following redundancy compared to 42% who had not experienced redundancy. Similarly, 54% of managers experienced a decrease in motivation following redundancy compared to 33% from the no redundancy group. And as expected 57% of managers perceived a decrease in loyalty, compared to 31% where redundancy was not used.

**Table 5.** The impact of redundancy on morale, motivation and loyalty

Morale	Redundancy %	No Redundancy %
Increased	6.8	22.8
Unchanged	20.4	35.6
Decreased	72.8	41.6
<b>Motivation</b>		
Increased	14.5	29.9
Unchanged	31.5	36.7
Decreased	54.0	33.3
<b>Loyalty</b>		
Increased	4.4	16.3
Unchanged	38.4	52.9
Decreased	57.3	30.8

Interestingly, of the survey respondents 50% of managers reported feeling concerned or very concerned about being made redundant in the future. This suggests that being made redundant remains a threat to job security for the majority of UK managers.

These results support the findings in the Power Company in that the effects of redundancy can clearly influence survivors perception of morale, motivation, loyalty and job security. The results have shown that those managers who experienced restructuring with redundancy were more likely to have negative reactions to the organizational restructuring than those that did not experience redundancy.

## A discussion and interpretation of the findings

The findings from the current study have shown that within the context of a privatized organization survivors' reactions to the redundancy are very pronounced. As with previous studies in the US, their reactions have been clearly negative ranging from shock, guilt and anger to disbelief and worry.

Brockner et al (1986) reported feelings of anger, anxiety, guilt and relief. Similarly, in the current study, survivors reported feeling angry with management, worried and anxious about their own future with the organization and a sense of guilt about remaining within the organization. In support of equity theory, as found by Brockner et al (1985) the survivors appeared to react negatively towards the organization (and particularly its management) in an attempt to redress inequity caused by the perceived mistreatment of leavers.

One particularly pronounced reaction noted in the Power Company survivors was the feelings of worry, threat and insecurity. The results suggest that these feelings were magnified by a fear of the

unknown (outside of the organization). Survivors from the Power Company had become very insulated by the culture of a 'safe' public sector employer causing survivors to re evaluate their situation. Furthermore, that survivors no longer 'trusted' the management within the organization which was creating a strong sense of a 'them and us' atmosphere, not previously recognisable within the organization.

Unlike previous studies in the US, the results from the Power Company illustrate some very strong feelings, such as 'devastation', 'disgust', 'traumatized' and 'panic'. Each of these emotions suggest that the redundancies changed the employees perceptions of their working environment and the organization. However, it could be argued that Armstrongstassen (1993b) indicated that survivors who had previously never experienced redundancies were more likely to react negatively, which might explain some of these more negative emotions. These reactions were coupled by feelings of 'hurt', 'disillusionment', and of feeling 'undervalued' by the organization which all indicate that survivors felt that their expectations of the organization had not been met during redundancy process.

The results also show that the redundancies began to effect survivors well being, where survivors reported losing sleep and negative impacts on their home life. This introduces another aspect to redundancy, and its potential not only to affect the survivors but those within their immediate environment outside work. Further research may wish to investigate the wider implications of redundancy on individuals and the stresses this lays on their life outside of work.

In support of work conducted by Ashford, Lee and Bobko (1989) the current results suggest that survivors' perception of control, or rather lack of control, was amongst the strong reactions experienced during redundancy. This was found to be related to survivors perceived lack of involvement in the decision making process and inability to influence their employment situation. The results also indicate that survivors were less likely to react negatively when they had a good relationship with their immediate line manager. This suggests that the line managers role in a redundancy situation is particularly important and has the potential to influence the reactions of survivors. The line managers role in this sense is not only to provide information and guidance but also provide support on a personal coping level. This research to some extent supports the research conducted by Burke and Greenglass (1998) which found that those who received union support throughout restructuring were less likely to react negatively to change.

## Conclusions

The results from this case study have shown that in support of previous studies of US layoff survivors, individuals' experience a wide variety of negative emotions and attitudinal responses to redundancy. These can range from mistrust and demoralization to powerlessness and frustration. The results have also shown that key factors relating to the perceived justice and effectiveness of the redundancy process influenced survivors' reactions to organizational downsizing. The Quality of Working Life data has also shown that redundancy is a particularly damaging form of organizational restructuring with survivors experiencing reduced loyalty, security, motivation and morale (see also Worrall et al, 1999a,b). In particular, it has been argued that when coupled with a significant culture change, such as the move to from the public to the private sector, these reactions can become more pronounced and the effects on survivors can be particularly devastating.

The current results suggest that where employees have built up a strong sense of organizational loyalty, identification and perceived security, as in the pre privatized company, redundancies were perceived as a distinct violation of the psychological contract. Survivors in the Power Company felt that they had been insulated by the public sector culture of the organization, which provided them with a stability not widely known in the UK private sector. The results suggest that survivors' previous expectations of the organization were violated by the move from the public sector into the more highly competitive and dynamic private sector. Previous studies have not identified such strong reactions both towards the organization and towards management. It is argued here that these

reactions are prevalent due to the dramatic change in organizational culture and the expectations placed upon employees to alter their perspective, beliefs and norms to fit into a new working environment.

Further research needs to investigate how redundancy can be better managed, so that survivors are able to cope with their changing environment. Research may also wish to investigate the different types of organizational change such as privatization and compare the use of redundancy and other methods of restructuring within this context. Similarly, the role of the line manager needs to be explored to identify how supervisory support can act as a buffer to negative emotional reactions and work related stress in a redundancy context. In particular, further research needs to be conducted in the UK to understand how the psychological contract is changing and if redundancy is to be continuously used as a method of downsizing, how organizations can provide support, counseling or guidance to counteract the negative impact of survivor reactions of the future performance of organizations. In summary, whilst organizational change is somewhat inevitable, this research illustrates that companies have a long way to go in learning how to manage change effectively and to prevent the downward spirals that can result from uncritical use of the blunt instrument of redundancy.

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