Restructuring seriously damages well-being of workers: The case of the restructuring programme in local administration in Greece

Theoni Koukoulaki a,⇑, Dimitra Pinotsi a, Paraskevi Geogiadou a, Afroditi Daikou a, Konstantina Zorba a, Antonis Targoutzidis a, Kostas Poulios a, Steryios Naris a, Panayiota Panousi a, Yiannis Skoulatakis a, Spyros Drivas a, Konstantina Kapsali a, Krista Pahkin b

a Hellenic Institute for Occupational Health and Safety, 143 Liosion, 10445 Athens, Greece
b Finnish Institute of Occupational Health, Finland

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Organisational restructuring has become an important characteristic of the modern working environment, both for private and public organisations. This study examines the impact of “Kallikratis”, a major restructuring programme of local administration in Greece, on employee well-being. Using an adapted version of the “PSYRES” questionnaire in a representative sample of 1600 employees in 13 municipalities, the study investigated the effect of restructuring, job insecurity and psychosocial factors on wellbeing. The main issues identified were the “rushed” and “abrupt” implementation of the restructuring process, as well as lack of sufficient information and training.

Moreover restructuring resulted in higher levels of (reported) work intensification and stress. Increased work-related stress was found to be related to increased emotional and quantitative job demands, as well as to job insecurity. Moreover, higher levels of emotional exhaustion were found to be related to increased job demands, job insecurity and unfair treatment during change.

Employees in certain departments and under permanent contract were found to be more negatively affected by restructuring. Permanent employees reported higher levels of work-related stress and emotional exhaustion. Employees working in urban planning services and waste collection services reported increased workload and significantly higher levels of stress.

Restructuring has been expanding both in the private and public sector in Greece and further studies should be carried out to investigate its effects on the well-being of workers.

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1. Introduction

Throughout Europe, approximately 20–30 new cases of restructuring activities are weekly carried out in workplaces (Eurofound, 2016). Since 2002 over 20,000 large scale restructuring programmes have been implemented in Europe, along with an unknown number of smaller scale restructuring programmes. The Kallikratis programme started in 2011 in all Greek municipalities and was the first large scale restructuring programme in the public sector. During the recession, large scale mergers in the wholesale, retail and banking sectors, as well as privatisation and outsourcing in the public sector followed.

Restructuring is often an organisation’s response to the changing economic environment. In other words, restructuring of organisations is driven by the need to maintain or enhance profitability and, therefore, to ensure the survival of the company (and jobs) over the long term (Storrie, 2006). As a consequence of such restructuring, the volume of production and/or size of the organisation are changing to an extent that is unavoidably felt by the employees (Pahkin, 2015). Such changes require employees to exert effort in order to respond to a new, sometimes uncertain and emotionally demanding situation, since it is the people who change (Bovey and Hede, 2001).

Organisational restructuring, poor economic climate and increased unemployment, were identified as common threats, among countries, in the prevention of psychosocial risks and work-related stress by a Delphi study carried out by the ILO to assess future scenarios and contributory factors related to this area (ILO, 2016).

The existing research literature indicates that restructuring can have a negative impact on employees’ health and well-being, not only for those who are made redundant but also for those who

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remain in the organisation after the changes. The health effects for those who have been made redundant have been described extensively in several studies (see e.g. Bohle et al., 2001). There is also evidence among the survivors of downsizing, that major downsizing is related to poor mental health, medically certified sickness absence, and poor physical health, including cardiovascular disease mortality (Ferrie et al., 2008; Kvivimäki et al., 2000a; Vahtera et al., 1997; Vahtera et al., 2004). However, it is not only downsizing activities including staff reduction that negatively affect employee well-being. For example mergers of companies (Hogan and Overmyer-Day, 1994), represent a form of restructuring which aims to expand organisations’ operations and has been found to increase the prevalence of subjective stress, and anxiety (Haruyama et al., 2008), as well as the risk of generalised anxiety disorders (Wang et al., 2012). A review by de Jong et al. (2016) also concluded that there is no clear difference in the impact of restructuring on employee well-being with or without staff reductions: the impact is mainly negative. However, there is also evidence that the consequences can be positive as well, mainly depending on the type of the change, its consequences and its implementation (Cartwright et al., 2007; Loretto et al., 2010; Pahkin et al., 2014).

The role of job characteristics and individual characteristics in the relationship between restructuring and employee well-being has also been examined. Downsizing has been found to cause changes in work and social relationships. For example reduced job control has been found to be related to increased sickness absence (Kvivimäki et al., 2000b). Also Wiezer et al. (2011) found that prolonged restructuring is followed by increased job demands and emotional demands, more conflicts at the workplace, less support from the supervisor and colleagues, less adaptive culture and less participation in decision making. These factors in turn lead to less job satisfaction and commitment, more exhaustion and increased sickness absenteeism. Furthermore, employees who experience downgrading of their job position during the merger suffer from similar kinds of impairments at their workplace. However, Wiezer et al. (2011) also found a positive effect on the well-being of employees whose position improved during the merger that was related with increased support from the organisation, more opportunities to participate in decision making, more autonomy and also an increased sense of competence.

It is evident that restructuring does affect employee well-being, but there are several different factors involved, and the relationships between them are not always straightforward. In a more recent study, de Jong et al. (2016) found that increased psychological demands, decreased participation in decision-making, reduction in skill discretion, decreased job control and support from supervisors had a mediating role in this relationship.

Therefore, in this study we examined the relationship between restructuring, job insecurity and psychosocial factors with employee well-being. Since restructuring aims to enhance organisational performance and competitiveness, it often leads to work intensification, stress and fatigue (Kieselbach et al., 2009). Therefore in this study we examined the impact of quantitative work demands on perceived stress. Regarding job characteristics we paid attention not only to intensification of work, but also to job autonomy, since it has, for example, been found that employee autonomy tends to be higher in restructured workplaces and this holds true across different occupational groups (Eurofound, 2012). Hence, job control of employees after the Kallikratis restructuring programme was examined. Since job demands and support from the supervisor have been found to explain the influence of prolonged restructuring on emotional exhaustion, but not general health (Geuskens et al., 2012) we also investigated their effects on emotional exhaustion.

In the review of de Jong et al. (2016) job insecurity was classified as an individual characteristic, as it reflects the individual appraisal of the threat of job loss. Job insecurity has been found to explain the adverse effect of downsizing on occupational health and safety (Quinlan and Bohle, 2009), but also the effects of prolonged exposure to restructuring (Geuskens et al., 2012). It has also been associated with adverse health effects (e.g., De Witte, 2005; Sverke et al., 2002; Virtanen et al., 2005). Job insecurity does not only mediate the relationship between restructuring and well-being: its impact on well-being can be moderated by job characteristics (see de Jong et al., 2016). Therefore, in this study we investigated the relationship between job insecurity and stress, emotional exhaustion and job satisfaction.

Employment contract has also been highlighted as important in the relationship between restructuring and well-being (e.g. Vahtera et al., 2004). In the current study special attention was paid to potentially vulnerable groups of employees during restructuring (according to employment contract, and departments). Finally, we addressed mental well-being both as a negative state (work-related stress, emotional exhaustion) as well as a positive state (job satisfaction) to grasp a more complete picture of restructuring effects.

2. The “Kallikratis Programme

The system of local government in Greece experienced several modifications in recent years, by two major reforms, namely Kapodistrias Plan (Law 2539/1997) and Kallikratis Programme (Law 3852/2010). Both reforms were part of the administrative decentralisation process in Greece aiming at delegating power from central government to local authorities. Results demonstrated that Kapodistrias reform had bigger social acceptance than Kallikratis, as the economic crisis and rough spatial planning deterred the effective implementation of the second wave of reforms (Joannidis, 2015).

The “Kallikratis Reform” or the “New Architecture of Local Government and Decentralisation” (Law 3852/2010) passed at the Greek Parliament at May 2010, aimed at cutting down public spending through limitation in the number of Local Government Organisations (OTA) and their legal entities and through management rationalisation. Through the Kallikratis Programme commencing on 1/01/2011, 4000 legal entities in local government were abolished, followed by a subsequent reduction of primary level local authorities from 1034 to 325. At the secondary level, 13 new regions would replace the existing 54 prefectures. It was estimated that 1.8 billion would be saved every year by budget cutting and rationalisation of operations in the new authorities.

Some 20,000–25,000 employees with non-permanent contracts (fixed term contracts and project based contracts) were expected to be laid off. A large number of the remaining employees (approximately 10,000 in 2 years) of restructured local government entities were (voluntarily or mandatorily) transferred to other authorities and municipalities. Although the reform was aiming at transferring employees to organisations within their city of residence and to posts of equivalent category or expertise, this was not always feasible.

The Kallikratis reform did not improve the social benefits from local government because it was implemented during the great economic crisis of Greece (Hazakis and Ioannidis, 2014). Local stakeholders complained about the mergers of municipalities during this restructuring. Moreover the statute did not foresee any improvement in the financing of local government units and the main promoter is still the central government throughout the process of intergovernmental grants (Ioannidis, 2015). Reforms in local administration were merely the beginning of a “restructuring wave” in the public and private sector in Greece following the pre-text of the financial crisis. According to the European Restructuring
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