The Effects of Past and Anticipated Future Downsizing on Well-Being: An Equity Perspective

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Worker well-being was examined as a function of past downsizing and expectations concerning future downsizing. Data from 1,297 Finnish workers were analyzed using analysis of variance and structural modeling analysis. Having experienced downsizing in the past or anticipating downsizing in the future was associated with elevated levels of inequity, which in turn were associated with elevated levels of psychological strain, cynicism, and absence. There were also direct effects of past/anticipated future downsizing on strain, cynicism, and absence, meaning that inequity only partly mediated the relationship between downsizing and well-being. Moreover, well-being varied as a function of type of downsizing.

Many organizations are currently experiencing large-scale change to their structures, procedures, and personnel in an effort to become a strong player in the "global business Olympics" (Kets De Vries & Balazs, 1997). For example, among 1,441 major U.S. employers, 48.2% reported job cuts of on average 11.8% of their workforce during 1999–2000. Lower current or anticipated demand for their products was not the primary reason for these job cuts: Organizational restructuring and reengineering of business processes accounted for 50.4% of these job cuts (vs. 14.5% for lower demand; American Management Association, 2000). Bond, Galipsky, and Swanberg (1998) found that 29% of their national sample of 3,000 American employees considered it "some-what" or "very likely" that they would lose their job in the next couple of years, suggesting that that is a frequently occurring phenomenon in the United States. Comparable figures for Finland (the present study was conducted) suggest that downsizing occurs frequently: A study by the Finnish Ministry of Labor (2001) showed the respondents feared to be dismissed in the coming year, whereas 13% were worried about layoff.

It is well-known that organizations (including layoffs, downsizing, and acquisitions, but also job relocations, team innovations at work, management reshuffle) production of team-based work, and the have adverse effects on employee well-being has been linked to elevated levels of stress (Armstrong-Stassen, 1997), cortisol and te (Gossi, Theorell, Jurisoo, & Setterland, 1991), cardiovascular complaints (Zeitlin, 1995), matic complaints (Burke & Greenleaf, 2000), and absence (Kivimäki, Vihaltama, Griffiths, Cox, son, 2000).

The present study deals with the health various types of downsizing-related reorga Downsizing can be defined as a conste events centering around pressures toward reductions (Shaw & Barrett-Power, 1997).ing may place demands on the organization groups, and individual employees, and it ma a process of coping and adaptation. Consi
this view, much research on the effects of downsizing has taken a stress-theoretical approach by using Lazarus and Folkman's (1984) stress-strain-coping paradigm (among others; Begley, 1998; Spreitzer & Mishra, 2000), emphasizing the role of job insecurity and coping behaviors (e.g., Davy, Kinicki, & Schein, 1997; Grunberg, Moore, & Greenberg, 2001; for a review, see Sverke, Hellgren, & Näswall, 2002). The general (and, admittedly, somewhat oversimplified) conclusion that can be drawn from this research is that downsizing induces feelings of job insecurity, thus increasing stress; this, in turn, leads to a wide range of adverse health effects, unless one is an active copee.

The present study examines the effects of various types of downsizings on employee well-being from a slightly different angle. On the one hand, it has been noted that downsizing may result in a higher work-load for the survivors (e.g., Burke & Greenglass, 2000a). Indeed, the American Management Association (2000) reported that 79.5% of the job-cutting firms in their survey said that at least part of the work once done by departing workers was transferred to other employees. On the other hand, working harder after downsizing is not necessarily compensated by an increase in one’s pay or other (fringe) benefits. A downsizing is usually intended to make the organization more effective and competitive, and this is incompatible with higher wages for the surviving employees.

From this vantage point, previous research has considered only part of the explanation for the relationship between downsizing and employee well-being. Downsizing not only results in job insecurity, leading to elevated levels of stress, strain, and lower well-being, but it may also result in a higher work-load for the survivors. In this sense, downsizing leads to a double deterioration of the terms of the psychological contract between the organization and the employee for the latter. The present study was designed to examine the validity of this reasoning, that is, to investigate the effects of past and anticipated future downsizing on various measures of well-being among a sample of 1,297 Finnish workers. In doing so, this study examines the consequences of different types of downsizing for worker well-being, as it would seem likely that different types of downsizing place different demands on workers. Thus, the effects of downsizing on worker stress and well-being may vary with the type of downsizing that takes place.

**Well-Being and the Balance Between Give and Take**

At the heart of the present study lies the assumption that there is a psychological contract between employees and the organization for which they work. This psychological contract can be defined as people’s unconscious expectations of an organization to respond to their psychological needs and support them in their career development and for meeting the organization’s unstated needs (Rousseau, 1995).

From employees’ perspective, the essential feature of this definition is that they must invest their time, effort, skills, and the like in their jobs to the advantage of the organization, while they are compensated for their efforts in terms of pay, job security, and less tangible rewards such as respect from others.

From a related theoretical viewpoint, equity theory also stresses the idea that there should be a balance between what workers invest in their jobs and what they receive in return. In a seminal paper, Pritchard (1969) defined an equitable exchange relationship (e.g., with the organization one works for) as a relationship in which people perceive their outcomes as being commensurate with their inputs. Inequity occurs if one outweighs the other. Previous research has shown that inequity in exchange relationships at work is associated with ill-health (e.g., burnout; Taris, Peeters, Le Blanc, Schaefeli, & Schreurs, 2001), thus underlining the importance of an equitable balance between investments and rewards for worker well-being.

Studies by Burke and Greenglass (2000a) and Parker, Chmiele, and Wall (1997) provide indirect evidence for our assumption that the effects of downsizing on employee well-being may be interpreted in terms of a disturbed balance between investments and rewards. Burke and Greenglass (2000a) reported that nurses working full time showed much stronger reactions to hospital restructuring and downsizing than part-time nursing staff. This fits the reasoning that especially those who invest much in and receive much from their jobs (the full-time staff) have much at stake, meaning that these employees have a higher risk of experiencing adverse health effects than others (the part-time staff). Perhaps more convincingly, Parker et al. (1997) showed that the adverse effects of experiencing a downsizing can be offset by improving work characteristics. Although the participants in their study were announcing that they had to invest more in their jobs, positive work characteristics such as job autonomy and role clarity also increased (thus, their rewards increased as well). The net effect of downsizing on worker health was zero.

In summary, this study argues that downsizing may imply a one-sided renegotiation of the terms of the psychological contract between the organization and its employees, such that the latter (a) receive less from this relationship and (b) invest more in this relationship. Both processes may result in an imbalance between rewards and rewards, which in turn may lead to lower well-being.

**Effects of Various Types of Downsizings**

Previous research has typically failed to distinguish among different types of downsizings in studying their effects. Many studies simply report on the health effects of reorganizations, not taking into account the possible differences among these. Yet, few researchers would maintain that all types of reorganizations place the same demands on individual workers and that their consequences for worker well-being are the same. Employee well-being will probably more severely be affected by massive layoffs than by not filling vacant jobs. Although many studies have examined the health consequences of various types of downsizing-related reorganizations, as yet no research has compared the effects of different types of downsizings on employee well-being in a single study. It is likely that the magnitude of the effect of downsizing on well-being varies positively with the severity of the measures that are implemented, that is, the degree to which employees feel that their investment/reward ratio is disturbed. The present study focuses primarily on the effects of reorganizations involving workforce reductions; but even then various types of reorganizations are possible (e.g., cutting temporary contracts, not filling vacant jobs, and layoffs), which may be assumed to differ in the degree to which they affect survivor well-being.

A further issue that has remained underresearched concerns the effects of past versus future downsizings. The vast majority of research on the link between downsizing and well-being has concentrated on the effects of past downsizing. Often a quasi-experimental pretest-posttest design is used. Depending on the timing of the pre- and posttest, these studies typically show (a) that downsizing leads to elevated levels of stress (if the pretest was conducted before and the posttest after announcing the cuts; e.g., Moth, 2000) or (b) that the effects of downsizing tend to diminish in time (if the pretest of the study was conducted at the time of announcing or meeting a reorganization, and the posttest a completion; e.g., Isaksson & Johansson, 2000; Callan, 1997).

Interesting as this research is, it leaves unexamined the issue of the effects of anticipated future downsizing on health. Downsizing seldom occurs without warning: A company that goes into receivership always knows a long history of downsizing and reorganizations intended to cut costs (Kets de Vries & Balazs, 1997). The employees of such companies may anticipate other reorganizations in the future, potentially affecting their jobs as well (Bommer, 1999). On the one hand, it would likely that the anticipation of a forthcoming downsizing is more important a stressor than past downsizings, especially if one belongs to the latter group. Thus, the effects of anticipated downsizing on well-being may well be stronger than those of past downsizing. On the other hand, also argued that the impact of anticipated downsizing on well-being is lower than that of past downsizing. While the anticipation of a downsizing increases job insecurity, and, therefore, ill-being will not increase one’s workload (as past downsizings do). Thus, the anticipation of an oncoming downsizing will lead to lower rewards (i.e., job security) but not to higher investments, mean that anticipated future downsizings will lead to a very skewed balance between “give” and “take” than past downsizing. Consequently, it is difficult to predict which type of downsizing (past vs. future) will affect worker health more strongly, as counter evidence either way.

**The Model to Be Tested**

Figure 1 presents the model to be tested in th is study. It is based on the theoretical notions outlined and can be considered as a series of theory hypotheses concerning the effects of having endured a downsizing in the past and the anticipated future downsizing on well-being. For theoretical reasons, an a priori distinction was made among sets of outcome variables: (a) strains (emotions, frequency and mental health), (b) withdrawal behaviors (cynicism, turnover, job strain), (c) strain-related absence, and the degree to which one considers early retirement), and (d) professional efficacy.
Exposure: organization was involved in downsizing in the past or one expects downsizing in the near future

Strains: emotional exhaustion, health complaints

Withdrawal: cynicism, thinking about early retirement, strain-fatigue-related absence

Professional efficacy

Inequity

Figure 1. Model for the effects of exposure to past and anticipated downsizing on inequity, strain, withdrawal, and professional efficacy (full mediation model).

Strain and Withdrawal
Lazarus and Folkman’s (1984) distinction between two broad categories of job outcomes: strains and withdrawal (coping) behaviors. Paralleling Leiter (1999), the present study assumes that many of the health-related outcome variables that have been studied in relation to downsizing can be classified as either strains or withdrawal behaviors. For example, frequently examined outcomes such as emotional exhaustion, physical well-being, and psychological well-being may be considered strains in that they occur first in response to stressful changes in the work environment. Other outcomes, such as cynicism toward one’s job and turnover, can be construed as occurring in response to these strains. By increasing the distance between oneself and the work environment either psychologically (cynicism/depersonalization; Leiter & Maslach, 1988) or factually (turnover), these responses can be considered as ways of dealing with the strain resulting from a stressful work environment (Taris, Schears, & Van Ijzendoorn-Van Silfhout, 2002).

Within the current theoretical framework, withdrawal (by “distancing” oneself from one’s job psychologically) may be one way to deal with an unwavering exchange relationship with the organization one works for. That is, the organization may demand the employees’ unconditional loyalty as part of their job (e.g., the employees, however, might simply refuse to give the organization what it wants, thus restoring the disturbed balance between their investments in and rewards gained from this relationship. For example, absenteeism has been interpreted as one way of dealing with the stress resulting from the disturbed balance between investments and rewards (Geurtj, Schaufeli, & Rutte, 1999). Cynicism and depersonalization may be construed as forms of coping, in that the strain resulting from an inequitable exchange relationship may prompt people to withdraw themselves psychologically from that relationship (Leiter, 1999). Similarly, considering early retirement may be construed as a first step leading to withdrawal from the organization.

Note that by using the term withdrawal when referring to a diverse set of outcome variables, we do not argue that all sorts of behaviors, motivations, affects, and cognitions are more or less interchangeable variations of the same phenomenon; John’s (1998) critique of the work of Hansch and Huilen (1990) on the latter authors’ general withdrawal construct has made it abundantly clear that there is good reason to keep empirically and theoretically distinct concepts apart. By referring to diverse outcomes as cynicism, thoughts of early retirement, and strain/fatigue-related absence as psychological withdrawal, we merely intend to use a convenient label for concepts that share the fact that they take a similar place in the theoretical framework of this study. By no means do we want to suggest that these concepts are interchangeable or that they reflect withdrawal exclusively. For instance, considering early retirement may be a form of organizational withdrawal that is instigated by a disturbed balance between investments and outcomes, and it may also be entirely due to personal circumstances.

Professional Efficacy
Professional efficacy refers to feelings of professional competence and successful achievement in one’s work (Schaufeli, Leiter, Maslach, & Jackson, 1996). Some researchers have considered lack of professional efficacy as an outcome in Lazarus and Folkman’s (1984) stress-strain-coping—self-evaluation process, such that stress at work leads to strain (exhaustion); strain leads to coping (psychological withdrawal in the form of a distant attitude toward the job—cynicism—or the people one works with—depersonalization); coping, in turn, would be followed by a process of self-evaluation (personal accomplishment). However, this reasoning could not be retained empirically (Lee & Ashforth, 1993; Leiter & Maslach, 1988).

Although professional efficacy apparently does not fit the stress—strain—withdrawal framework outlined above, it is included in the present study as it represents an important dimension of worker well-being. Efficacy (defined as a person’s [psychological] ability to cope with the task and act on the environment with at least a moderate amount of success) is a key dimension in both Warr’s (1999) model of worker well-being and the general model of well-being developed by Carol Ryff (Ryff & Keyes, 1995; efficacy for one part reflects the self-acceptance dimension in this model, i.e., a positive evaluation of oneself and of one’s body and life style; the environmental mastery dimension, i.e., the capacity to manage effectively one’s life and surrounding world).

Thus, professional efficacy is a subjective judgment concerning one’s own competence and performance. It may be linked to inequity using Schachter and Singer’s (1962) attribution-of- arousal theory. This theory holds that particular stimuli may result in arousal, and that the person interprets this arousal in the light of the situation as interpreted by the person. In the context of equity and stress at work, workers may consider the degree to which they experience stress as a measure of their competence. The fact that a particular exchange relationship is inequitable and leads to stress may lead workers to believe that they are incompetent and that they do not perform well (Taris, Van Horn, Schaufeli, & Schureus, 2002). If this is correct, there should be a negative association between inequity and professional efficacy.

As Figure 1 shows, inequity is assumed to increase if one’s organization has been involved in downsizing or if one anticipates downsizing in the future. In turn, inequity is expected to elicit stress forms of exhaustion and psychological health complaints, as well as feelings of reduced professional efficacy. Finally, strain (i.e., exhaustion and logical health complaints) is presumed to be correlated with elevated levels of strain/fatigue-related sence, cynicism, and thoughts of early retirement.

Method
Sample
The data were collected in a cross-sectional survey of a nationally representative Finnish sample who were between 24 and 65 years at the time of the study. The sample initially included both (62.9% of the population in 1997) and non-workers (12.7% unemployed persons; Finland, 2001). The data were collected by the national census (Statistics Finland), which has the names and addresses of the Finnish population of their tasks is to collaborate with researchers providing sampling services, provided that the study meets the criteria formulated by the eth leaders of Statistics Finland.

Statistics Finland mailed the questionnaire to the researchers to the people in the sample. The names included scales measuring well-being, be variables, and perceived inequity. Moreover, a computer-generated list of questions c their organization’s involvement in various downsizing-related reorganizations in the past, as well as their intentions regarding future downsizing in their organization.

The questionnaire was returned to Statistics Finland where the database was formed. After the week, the sample received a reminder; when 51% of group had responded, those who had as yet received another reminder, together with a new question. Two months after the first contact, a satisfactory 66.6% response rate had been obtained. 3,200. Comparison of population characteristics due to the fact that the 51% of the population is female vs. 53.3% of the sample dataset, the participants were selected who had played during the 12 months preceding the sur 1,566. After listwise deletion of missing value for the age group included 1,297 workers (mean age = 4 SD = 9.4); 50.7% of the sample was female average amount of work experience was 20.9 ye 9.9.

Measures
Burnout: Exhaustion, cynicism, and profession Burnout was assessed with the Finnish Schaufeli, Leiter, Maslach Burnout Survey—General Survey (MBI-GS). Contrary to the Marder-MBI-HSS for “Human Services” MBI-GS was designed to assess burnout in t
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working population, including occupations in which contact with other people does not constitute a major part of the tasks. The MBJ-GS consists of 16 items divided across three subscales; all items are answered on a scale ranging from 0 (never) to 8 (always). Each subscale indicates how much the participant feels emotionally overextended and depleted of one’s emotional resources. This 3-item scale is similar to the exhaustion scale included in Maslach and his colleagues (1981). However, contrary to the MBJ-HSS, the exhaustion items of the MBJ-GS are generic; they refer to work-related fatigue, but without referring to people as the source of those feelings. For example, exhaustion items extracted from other scales that feel “emotionally drained” from their jobs. The reliability of this scale (Cronbach’s a) was 89. Cynicism reflects indifference or a distant attitude toward work; unlike the MBJ-HSS, 5 items of the MBJ-GS refer to the self and not to personal relationships at work (a = .81).

Depersonalized workers are not as enthusiastic about their job as they were in the past, and they doubt the importance of their work. Finally, professional efficacy is similar to the personal accomplishment scale in the MBJ-HSS. This scale taps perceived professional competence and successful achievement in one’s work. It is measured by a 6-item scale (a = .81). People with high scores on this scale report that they have accomplished many valuable things in their job, and they feel very self-confident when they are at work. In the present study, items on this scale were reversed such that a high score signifies lack of professional efficacy. Taris, Schaufeli, and Schaufeli (1999) presented an elaborate discussion of the development and validation of the MBJ-GS as well as some sample statistics.

Psychological health. Psychological health was measured using the 12-item version of Goldberg’s General Health Questionnaire (GHQ). Goldberg (1972) developed this measure, which is designed to tap the degree to which individuals suffer from psychological health problems, such as difficulties in concentrating (1 = less often than usual, 4 = more often than usual). This scale measures the intention of retirement early. A single item tapped whether the participants had considered early retirement, namely, “Have you been considering retiring before the normal retirement age?” (1 = no, 2 = yes, 3 = often, 4 = I have already sent in an application).

Strain-fatigue-related absence. Whether the participants had been absent with stress-related complaints during the 12 months preceding the survey was measured by a single item, namely, “Have you been absent from your work during the past 12 months as a result of overstrain or fatigue?” (1 = no, 2 = yes).

Lack of equity. The investments in their work were measured with a single item, namely, “How much do you feel you invest in your work in terms of skills and energy?” (1 = very little, 4 = very much). Work-related rewards were measured by asking the participants how much reward they get from your work in terms of job satisfaction, income, etc. “How much do you feel you get in return from your work in terms of recognition, prestige, status? (1 = very little, 4 = very much).”

Exploratory factor analysis of these three items revealed that the first factor accounted for 52.4% of the variance and that all items loaded acceptably well on this factor (all loadings > .72). The reliability of this three-item scale was .68. Then a measure of lack of equity was created by dividing the participant’s score on the investment item by the score on the outcome scale. Scores higher than 1.00 signify that the participant’s investments exceeded their rewards (60.4% of the participants). Scores lower than 1.00 indicate that the rewards exceeded the investments (5.9% of the participants), and scores equal to 1.00 indicate that investments and outcomes (9.4% of the participants).

Past downsizing. The participants were asked to indicate whether their organization had been involved in any of eight types of downsizing-related reorganizations during the past 12 months. The question was “Has the following happened in your workplace during the last 12 months?” after which eight items followed indicating whether (a) personnel had been laid off, (b) personnel had been dismissed, (c) personnel had been working less hours, (d) personnel had been forced to work part time instead of full time, (e) vacant jobs had not been filled, (f) temporary contracts had been cut, (g) replacements had not been hired, and (h) personnel had been replaced in units (0 = no, 1 = yes). Contingent on the type of downsizing, 5.1% to 27.2% of the participants indicated that this had happened during the organization.

Anticipated future downsizing. The participants indicated for five types of downsizing-related events how likely they felt that these would occur during the present year. Events included were “you must work less hours,” “you will be laid off for at least 2 weeks,” “you will be dismissed,” “you will be moved to other tasks,” and “you will be charged against your will” (1 = certainly not, 2 = probably not, 3 = probably, 4 = certainly). This variable was then dichotomized, with scores 1 and 2 indicating low likelihood of downsizing and scores 3 and 4 indicating high likelihood of downsizing. Depending on the type of downsizing, 4.0% to 9.5% of the participants considered it likely that this would occur during the next year.

Note that this conceptualization of anticipated future involuntary downsizing in empirically very similar to current measures of job insecurity (which is usually defined in terms of the perceived likelihood of involuntary job loss or involuntary job loss as one’s job is in the future). Indeed, the items used here may be construed as tapping varying degrees of job insecurity. The important difference with “standard measures of job insecurity is that the current measures allow for a systematic comparison of the effects of various types of downsizing rather than of the effects of an overall measure of job insecurity. Finally, the study included measures of the participants’ age and gender. These were included as control variables. Table 1 presents the means and standard deviations for the study variables, as well as their intercorrelations.

Statistical Analysis

We included effects of age and gender on all dependent variables while testing the model presented in Figure 1 (for simplicity not shown in Figure 1). Age and gender are often related to the outcome variables studied in this research. Effects of A and B on C can be estimated at the same time as the effect of A on B. It is thus immediately clear whether B "mediates" the relationship between A and C, and whether there is an "indirect" effect of A on C. Applying Baron and Kenny’s (1986) approach using SEM would therefore not make little sense. This does not mean, however, that this approach cannot be used to study the interdependencies between two variables of mediation by other variables in the present study we test a series of models. Comparing these models will reveal whether the full mediation presented in Figure 1 applies to the data or that add paths are needed to obtain an acceptable fit. If the latter is the case, the effects of downsizing on well-being: inequity on withdrawal are not fully mediated by the variables included in the model.

The first model to be examined is the full mediation model presented in Figure 1 (M1). This model assumes the effects of exposure to downsizing on strain, of exposure to downsizing on professional efficacy, of exposure to downsizing on withdrawal, and of inequity on withdrawal are fully mediated by inequity or strain. M1 serve baseline model, against which other, slightly more complex, models are evaluated. Model 2 (M2) is identical to M1, save that direct paths are included from exposure to downsizing on professional efficacy and the two in-kind of strain. A significantly better fit of M2 compared to M1 would indicate that the relationship between exposure to downsizing and strain/professional efficacy is not mediated by inequity, at least to one of the extra direct on strain/efficacy is statistically significant. The third (M3) is identical to M2, save that direct paths are included from inequity on cynicism, considering early retire and strain-fatigue-related absence. Again, a better fitted model 4 (M4) would indicate that the relationship between inequity and withdrawal is not mediated by inequity. Finally, the fourth model (M4) is identical, again, identical with the exception of additional direct paths from cognitive to downsizing to withdrawal.

Comparing model M3 and M4 will reveal which accounts for the best fit. A particular model is set to fit the data better than a rival model if its chi-square is significantly lower (p < .05) than that of its counterpart.
This usually (but not always) coincides with higher values for NNFI, AGFI, and CFI and lower values for the RMR.

Cross-validation of structural equation models. For cross-validation purposes, the present sample (N = 1,297) was split into two subsamples of 648 and 649 participants each. On both subsamples an independent analysis of the model presented in Figure 1 was performed. The results for each sample were then compared to obtain an impression of the degree to which capitalization on chance presented a threat to the validity of the study.

Results

Structural Analyses

Comparison of models: Full mediation? Table 2 presents the fit of the structural equation models tested in the present study. The baseline full mediation model (M1) did not fit the data well, although in both samples AGFI and CFI exceeded .90. NNFI and RMR, however, were below .90 and above .05 respectively. Table 2 shows that Models 2 and 3 (M2 and M3) both improved significantly upon the full mediation model (M1). AGFI and CFI were above .90 in both samples, whereas RMR and NNFI approached—and sometimes exceeded—the cutoff points for acceptable fit. M4, however, did not improve significantly upon M1; the gain in degrees of freedom did not outweigh the increase in chi-square points, while AGFI and NNFI even indicated that this model fitted the data less well than M1.

These analyses suggest that the full mediation model presented in Figure 1 needs to be complemented with additional effects of exposure to downsizing on strain/professional efficacy (as included in Model Z) and of inequity in withdrawal (Model 3) to obtain a good fit. The fit of this model (M5) was quite good; only NNFI fell short of .90 in one sample. Therefore, M5 was accepted as the model that accounted best for the data. However, inspection of the parameter estimates and the corresponding T values for this model revealed that several effects did not differ significantly from zero. These were omitted, resulting in Model 5a. As Table 2 shows, the fit of this model was acceptable; AGFI, NNFI, and CFI exceeded .90, whereas RMR was lower than .05 in both samples.

Parameter estimates. Figure 2 presents the standardized parameter estimates for the final (i.e., M5a) models. This figure includes two types of arrows. The solid arrows refer to effects that were already present in the full mediation model M1. The dotted arrows refer to effects that were added in later stages of the analysis (i.e., Models M2-M5). Thus, the dotted arrows refer to effects that should not be present if the effects of past or anticipated future downsizing on well-being (strain, withdrawal, and professional efficacy) and of inequity on withdrawal would have been fully mediated by inequity and strain, respectively.

The results were very similar for both sub-

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Table 2: Comparison of the Fit of Various Models

<table>
<thead>
<tr>
<th>Model</th>
<th>χ²</th>
<th>df</th>
<th>AGFI</th>
<th>RMR</th>
<th>NNFI</th>
<th>CFI</th>
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<tbody>
<tr>
<td>Sample 1 (N = 648)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>M1: Full mediation model</td>
<td>106.86</td>
<td>23</td>
<td>.92</td>
<td>.058</td>
<td>.81</td>
<td>.92</td>
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<tr>
<td>M2: M1 + Exposure &gt; Strains/PE</td>
<td>65.52*</td>
<td>17</td>
<td>.93</td>
<td>.039</td>
<td>.86</td>
<td>.96</td>
</tr>
<tr>
<td>M3: M1 + Inequity &gt; Withdrawal</td>
<td>85.85*</td>
<td>30</td>
<td>.93</td>
<td>.052</td>
<td>.83</td>
<td>.94</td>
</tr>
<tr>
<td>M4: M1 + Exposure &gt; Withdrawal</td>
<td>101.36</td>
<td>17</td>
<td>.89</td>
<td>.055</td>
<td>.75</td>
<td>.92</td>
</tr>
<tr>
<td>M5: M2 + M3</td>
<td>43.05*</td>
<td>14</td>
<td>.94</td>
<td>.031</td>
<td>.89</td>
<td>.97</td>
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<td>M5a: M5 after deleting nonsignificant effects</td>
<td>59.16*</td>
<td>28</td>
<td>.96</td>
<td>.036</td>
<td>.94</td>
<td>.97</td>
</tr>
<tr>
<td>Sample 2 (N = 649)</td>
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<tr>
<td>M1: Full mediation model</td>
<td>77.77</td>
<td>23</td>
<td>.94</td>
<td>.052</td>
<td>.87</td>
<td>.95</td>
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<tr>
<td>M2: M1 + Exposure &gt; Strains/PE</td>
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<td>.031</td>
<td>.95</td>
<td>.98</td>
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<tr>
<td>M3: M1 + Inequity &gt; Withdrawal</td>
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<td>20</td>
<td>.94</td>
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<td>.95</td>
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<tr>
<td>M4: M1 + Exposure &gt; Withdrawal</td>
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<td>.92</td>
<td>.050</td>
<td>.83</td>
<td>.95</td>
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<tr>
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<td>22.80*</td>
<td>14</td>
<td>.97</td>
<td>.025</td>
<td>.97</td>
<td>.99</td>
</tr>
<tr>
<td>M5a: M5 after deleting nonsignificant effects</td>
<td>31.57*</td>
<td>24</td>
<td>.98</td>
<td>.031</td>
<td>.98</td>
<td>.99</td>
</tr>
</tbody>
</table>

Note: AGFI = adjusted goodness-of-fit index; RMR = root-mean-square residual; NNFI = nonnormed fit index; CFI = comparative fit index; PE = professional efficacy.

* Model fits significantly better than M1, p < .001. Model fits significantly better than either M2 or M3, p < .001. Chi-square increase not significant, p > .05, as compared to M5. * Model fits significantly better than M1, p > .05.
samples. As expected, the three withdrawal variables were positively linked to emotional exhaustion: The more exhausted workers were, the more likely it was that they were cynical, were considering early retirement, or had been absent with strain/fatigue-related complaints during the last year (effects ranging from .14 to .36, median value = .25). Similar effects were expected for the number of psychological health complaints. Reporting many psychological health complaints was in both subsamples associated with higher levels of cynicism and strain/fatigue-related absence (effects ranging from .14 to .32). These results thus supported our expectation that strain is associated with withdrawal.

Emotional exhaustion and psychological health, in turn, should vary positively with inequity. As expected, in both samples there were moderately strong effects of inequity on emotional exhaustion and psychological health complaints (standardized effects ranging from .32 to .34), such that higher levels of inequity were associated with higher levels of strain. The last indicator of well-being (lack of professional efficacy) was positively related to inequity: As inequity increased, employees were more likely to question their current work performance (standardized effects of .19–.21).

Experience of past downsizing and the prospect of future downsizing were both related to inequity. Those whose organizations had implemented downsizing-related changes across the last 12 months were more likely to report that their investments were higher than their outcomes (a standardized effect of .12 in one sample); similar effects were found for those who expected that such downsizings would be carried out during the next 12 months (standardized effects of .09–.12, ps < .05).

These findings are largely in accordance with the model presented in Figure 1. However, the effects of past and anticipated future downsizing on emotional exhaustion/health complaints and professional efficacy were not fully mediated by inequity. The same applied to the effects of inequity on psychological withdrawal; here, too, the full mediation model did not account well for the data. Those who had experienced downsizing in the past or who felt that downsizing might occur in the future reported higher levels of emotional exhaustion and psychological health complaints and lower levels of professional efficacy (effects varying from .08 to .16, median value = .11). Thus, it appears that there are significant differences between investments and outcomes accounts only partly for the association between downsizing and lack of well-being.

Similarly, the effect of inequity on psychological withdrawal was not fully mediated by emotional exhaustion and psychological health complaints. Workers who reported elevated levels of inequity considered early retirement more often and were more cynical than others (standardized effects ranging from .08 to .14). Although these effects are relatively weak compared with those on emotional exhaustion and psychological health complaints, they suggest that inequity does not affect withdrawal via elevated levels of strain only.

Finally, the effects of the background variables (for simplicity not shown in Figure 2) on the other variables in the model were generally quite weak. Women were less cynical than men, and they considered early retirement slightly less often than male workers (effects ranging from .07 to .11). Further, older employees tended to be more cynical about their work (in one sample, not in the other), considered early retirement more often than others, and reported slightly more psychological health complaints than younger employees.

Well-Being as a Function of Type of Downsizing

In the preceding analyses no distinction was made among the effects of different types of downsizings. The present section therefore focuses on the differential effects of various types of downsizings on the outcome variables in this study.

Past downsizing. Table 3 presents the prevalence of particular types of downsizing-related reorganizations. For example, 17.0% of the participants said that in their organization temporary contracts had been cut during the past 12 months. Further, Table 3 presents for each downsizing–outcome combination the difference between the average scores of those who reported that this type of downsizing had occurred in their organization (Group a) and those who indicated that this reorganization had occurred (Group b). Finally, for each downsizing–outcome combination Cohen's (1988) effect size D is presented. D is computed as the difference between means, divided by their standard deviation. A correlation factor is applied if these standard deviations differ across groups. D does not depend on sample size (as, for example, the F test does) and depends on the range of the variable of interest (as difference between these means does). Thus, D values can easily be compared and interpreted. According to Cohen (1988), D values lower than .50 indicate weak effects, values ranging from .50 to .80 denote moderately strong effects, and values of .80 and above indicate strong effects.

The last column in Table 3 presents the D value for each type of downsizing, averaged across all dependent variables. The first 5 D values (corresponding to downsizings involving personnel being fired to work less hours; personnel being forced to work part time instead of full time; personnel being placed in temporary positions that had been dismissed and temporary contracts that were cut) are all very low (.14). Thus, although there may be statistically significant differences between those who did not report these downsizings for all or all outcome variables, these effects are of no practical concern when considering their practical relevance. The remaining types of downsizings are more important, as suggested by slightly higher overall D values. Considering these effect sizes, it seems that downsizings have little effect on survival or well-being and that downsizing that involves workers being fired, not filling vacancies, and not hiring replacements have more profound effects on well-being than any type of downsizing.

The bottom row of Table 3 presents the average values for each outcome variable, averaged across downsizings. These D values present an indicator of the sensitivity of the outcome variables to the occurrence of various types of downsizings. The two st variables (emotional exhaustion and general health) are most sensitive to downsizing (albeit D value .24 are still only "weak," according to Cohen, 1988). The effects on the other outcome variables are weaker, down to values of .05 (early retirement .01; strain/fatigue-related absence).

Future downsizing. The effects of various anticipated downsizings on employee well-being are
sent in Table 4. Again, this table presents differences between means and D values for each downsizing-outcome combination. The average D values for the various downsizing-related reorganizations are considerably higher than in the previous analyses (ranging from .20 to .46). Table 4 shows that there are three distinct groups of anticipated reorganizations in terms of their effects on the outcome variables. The first group consists of downsizings that involve working less hours and being moved to other tasks (average Ds = .20 and .26, respectively; anticipation of these downsizings has little effect on worker well-being). The second group consists of being laid off for at least 2 weeks or working hours that are changed against one's will (Ds were .31 and .38; anticipation of these measures has somewhat stronger, albeit still weak effects on worker well-being). Finally, anticipating that one will be dismissed during the next year has a quite substantial effect on worker well-being; as evidenced by a D value of .46.

Inspection of the average D values for each outcome variable reveals that the two strain variables are strongly affected by the anticipation of various downsizings (average Ds = .44 for emotional exhaustion and .53 for psychological health complaints). However, cynicism is affected even more strongly (D = .50). Again, the sensitivity of strain/fatigue-related absence and early retirement regarding the effects of various anticipated downsizings is relatively low. 

Involvement in Downsizings and Perceived Investments/Rewards

The present study argued that both past and anticipated future downsizings imply a one-sided renegotiation of the terms of the psychological contract between organization and employee. The latter may have to work harder (i.e., their investments in their work are higher than for those who were not affected by a downsizing) while their rewards actually become lower (one's position may, for instance, be less secure than one initially expected to be). This implies that workers who have been or expect to be affected by a downsizing may feel that they invest more in and receive less rewards from their work than others.

To examine this reasoning, for each type of past downsizing, we conducted a 2 (occurrence: occurred vs. not occurred) × 2 (type: investments vs. rewards) analysis of variance (ANOVA), with type as a within-participants variable. Similar 2 (anticipation: will occur vs. will not occur) × 2 (type: investments vs. rewards) ANOVAs were conducted for each type of anticipated downsizing, with type as a within-participants variable. Table 5 presents the results of these analyses.

For all analyses a strong main effect of type was observed (Fs ranging from 403.58 to a massive 1,578.39, all ps < .001); on average, the participants felt that they invested more in their jobs than they received in return. Further, in 6 out of 13 cases we found a significant main effect of occurrence/anticipation (the interpretation of this effect is difficult and irrelevant for our purposes). The proof of the pudding lies in the Occurrence (Anticipation) × Type interaction effect. Confirmation of our hypotheses requires that the difference between investments and rewards be larger for those who experienced or who expected to experience a downsizing than for those who did not (expect to) experience a downsizing. The Occurrence (Anticipation) × Type interaction effect was significant in 6 out of 13 cases. As these tests are not statistically independent (there are usually significant associations among the variables measuring involvement in reorganizations; i.e., participants who indicate that temporary contracts were cut in their organizations often also report that vacant jobs were not filled, and so on), these results cannot be interpreted as cumulative support for our hypotheses. Nevertheless, our analyses provide some indication of the magnitude of the effects of involvement in various types of downsizings.

When a significant Type × Involvement (or Type × Anticipation) interaction effect was observed, tests for simple main effects were conducted. In neither of the six cases in which such an interaction effect was found was there a main effect of involvement or anticipation for the investments (Fs ranging from .03 to 1.57, all ps > .05). Thus, contrary to our expectations, there was no evidence for the assumption that those who experience a downsizing or who expect to experience a downsizing feel they invest more in their work than others. In contrast, in five instances we found a significant difference between the perceived rewards for those who were and those who were not involved in a downsizing. Participants who said that in their organization vacant jobs had been filled or that replacements had not been hired, and participants who expected that they would be dismissed, moved to other tasks, or expected their working hours to be changed against their will, said they received fewer rewards than others, Fs(1, 1295) ranging from 9.88 to 39.52, all ps < .01.

Consistent with these findings, further analysis revealed that the correlations between past and anticipated downsizing on the one hand and work investments on the other were negligibly small (ranging from -.01 to -.03, ps > .05). In contrast, the correlations between past and anticipated downsizings on work rewards were statistically significant (ranging from -.12 to -.18, respectively, ps < .001). Thus, it seems that work rewards in particular diminished by anticipated downsizing rather than their own investments increased.

Relationship Between Number of Downsizings and Outcome Variables

Finally, we examined how the occurrence of tiple past downsizings or anticipated future downsizings affected the outcome variables. It is conceivable that the effects of past or future downsizings become more pronounced when one has already been involved in other downsizings. Thus, two variables were created that represented the number of one's organization had been involved in past downsizing and the number of anticipated future downsizings.

The correlation between these two variables was .15. Although this correlation is statistically significant at p < .001, a shared variance of 2.3% is too small for practical purposes; the effects of these variables can be considered as if they were independent. In particular, emotional exhaustion, cynicism, the number of psychological health complaints decreased if one had experienced multiple downsizings in the past or if one expected multiple downsizings in the near future, whereas one's perceived role was decreased (correlations ranging from .00 to .10; ps < .01). No (consistent) effects were found for other outcome variables.

Finally, we examined whether employees who experienced downsizing in the past were more attuned by the anticipation of future downsizing than others. That is, there was a cumula effect of anticipated repeated exposure to work changes in conjunction with the experience of reorganizations? A 2 (occurrence: occurred vs. occurred) × 2 (anticipation: will occur vs. will not occur) multivariate analysis of variance with the same variables (exhaustion, health complaints, three withdrawal-related variables, and lack of professional efficacy) as the criterion variables was conducted to address this issue. This analysis revealed a significant multivariate interaction effect of having experienced a downsizing in the past and the
Table 5: Mean Scores (and Standard Deviations) for Investments and Outcomes as a Function of (Anticipated) Occurrence of a Downsizing and Type of Downsizing

<table>
<thead>
<tr>
<th>Type of Downsize</th>
<th>Personal distress</th>
<th>Life force at work</th>
<th>Mean job performance</th>
<th>Personal contact</th>
<th>Work hours changed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal dismissal</td>
<td>3 1.8</td>
<td>2.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Personnel reduced</td>
<td>3 1.8</td>
<td>2.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Full-time to part-time</td>
<td>3 1.8</td>
<td>2.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Mean job performance</td>
<td>3 1.8</td>
<td>2.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Personal contact</td>
<td>3 1.8</td>
<td>2.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Discussion

This study focused on the effects of past and anticipated future downsizing on well-being and on inequity as a possible mediator of this relationship. Downsizing may have adverse health effects, but whereas many authors have pointed to job insecurity as the key variable in the psychological process linking downsizing to well-being, others have suggested that downsizing leads to higher job demands for the surviving employees as well. Thus, the terms of the psychological contract between the employee and the organization become less favorable for the employee, not only because the rewards gained from the organization tend to decrease (lower job security) but also because employees must invest more in their jobs (i.e., they have to work harder). This reasoning suggests that interpreting the relationship between downsizing and well-being in terms of diminished job security only is too sparse an explanation: An equity perspective may cover the underlying psychological process more fully, at least for the effects of past downsizing. The equity perspective may be less valuable in interpreting the effects of anticipated future downsizing, as employee investments will not increase when one expects a downsizing to occur. Thus, future downsizing should not lead to as skewed a balance between investments and rewards as past downsizing.

Consistent with this reasoning, we expected that past and anticipated future downsizing would lead to a disturbed balance between investments and outcomes. This was expected to lead to elevated levels of stress and strain (i.e., emotional exhaustion and lack of psychological health), in turn resulting in psychological withdrawal (strain/fatigue-related absence, thinking about early retirement, and cynicism). The results largely supported these expectations. We found that having experienced a downsizing in the past or the anticipation of a downsizing in the future was indeed associated with a disturbed balance between work investments and work outcomes, and that such a disturbed balance was associated with elevated levels of emotional exhaustion and psychological health complaints and lower levels of professional efficacy.

Our analyses revealed that there were direct effects of past and anticipated future downsizing on strain and efficacy as well, however. Thus, contrary to expectations, inequity did not fully mediate relationships. Other variables that were not included in the present study may also partly be responsible for the association between downsizing and strain.

For example, negative affectivity may inflate one’s estimation of the likelihood of future downsizing, as well as the degree to which one reports high levels of emotional exhaustion, psychological complaints, and lack of efficacy. Similarly, downsizing may not only result in job insecurity (and, thus, lower job rewards) but also in a leading to elevated levels of emotional exhaustion and psychological health complaints.

As expected, emotional exhaustion and psychological health complaints were associated with ine in cynicism, strain/fatigue-related absence, and thoughts about early retirement (Leiter & Maslach, 1988). These findings suggest that workers’ experience strain due to a disturbed balance between investments in the rewards gained from the exchange relationship will consciously or unconsciously try to restore this balance by distorting themselves from this relationship, thus reducing own investments (Taris et al., 2001). However, that other processes may also account for these patterns; for example, high strain may well lead to sickness absence.

The results revealed that the relationship between inequity and withdrawal was not fully mediated by these processes. Again, other variables that were included in the present study may account for the remaining direct effects of inequity on well-being. For instance, previous research has revealed that inequity is not only related to strain but also to commitment to the organization (Schaufeli & Van Veldhoven, 1996). Lack of commitment would seem a likely process increasing elevated levels of cynicism and thoughts about retirement.

Type of Downsizing

One shortcoming of previous research is that only a single type of downsizing was considered and the study of different types of anticapita downsizings has been largely neglected. This research studied the relative impact of various types of downsizings on employee well-being, from the assumption that not all types of downsizing have the same demands on individual work strength and the effects on well-being was to vary positively with the severity of the con
ing measures, that is, the degree to which employees' investment/reward ratio was threatened. Our results provided some support for this reasoning. The effects of downsizing involving the elimination of jobs (e.g., by cutting temporary contracts, layoffs, or not hiring replacements) on well-being were somewhat stronger than the effects of other types of downsizing-related reorganizations. However, it should be noted that the impact of virtually all types of (past and future) downsizings was small, with the possible exception of the prospect of dismissal in the near future. This result, again, underlines the importance of job insecurity as a potential stressor. In this respect it is noteworthy that follow-up analysis revealed that the association between inequity and past or anticipated future downsizings was mainly due to the fact that the participants felt that they received less rewards, rather than that they had to invest more. This pattern of effects is consistent with the notion that especially resource loss is an important stressor (Wells, Hobfoll, & Lavin, 1999).

Study Limitations

One limitation of the present study is that the downsizings included in this research represent a limited subset drawn from a wide range of possible organizational changes. That is, other and very different types of downsizing-related reorganizations might have been included in this study, and the possibility that the results obtained for these other types of downsizings might turn out differently cannot be ruled out. Be that as it may, the present study reveals that different downsizings are differentially related to worker well-being. Further, note that some of the downsizings included in this study do not necessarily imply workforce reduction. For example, the items used in the present study to measure the incidence of downsizing in organizations did not allow us to distinguish between layoffs with the aim of workforce reduction and more or less incidental dismissals due to poor performance of individual employees who are replaced by other, more capable workers. In the latter case no detrimental effects on worker health and inequity are expected. This implies that the error on our measures of downsizing increases, leading to an underestimation of the effects of downsizing on inequity and the outcome variables. Further, this study used a cross-sectional design, with self-report data only. One obvious drawback of a cross-sectional design is that it is impossible to test causal relationships. In this light, it would seem possible that strain, cynicism, and the like could lead people to be more pessimistic in their beliefs concerning the likelihood of future involvement in downsizing. Thus, the likelihood of being involved in future downsizing may be a consequence of strain, rather than an antecedent.

A possibly even more important drawback of this design is that the results reported here may have been confounded with a selection effect that could not be controlled, as would have been possible if the design had included a pretest. The participants in this study are those who "survived" past downsizings. It would seem possible that downsizings provide organizations with an excuse for retaining their motivated and productive employees while getting rid of others (e.g., older employees who are cynical, who suffer from many psychological health complaints, and who are often absent). If anything, such a restriction of range would mean that the variance of the variables in this study has been underestimated, leading to a conservative estimation of their effects: In particular, the explanatory power of having experienced a downsizing in the past may have been underestimated. The fact that only self-report data were used implies that the associations among especially the outcome variables and inequity have been overstated, due to common method variance or the wish to answer consistently (Conway, 2002). It would seem important for future research to examine whether the present findings for the effects of past and anticipated future downsizings can be replicated using objective stress measures (e.g., cortisol and testosterone level, Grossi et al., 1999; or objectively recorded absenteeism, Burke & Greenglass, 2000a).

Moreover, note that some of the outcome variables used in this study were measured with a single item (strain/fatigue-related absence, intention of retiring early, or worker investments), meaning that it was impossible to judge the reliability of these measures. Furthermore, strain/fatigue-related absence was measured rather crudely, using a two-category response scale only, whereas the answers to this measure are likely to be influenced by social desirability processes: Many people would not admit to being sick even if they were. These problems will increase the error variance for these measures, meaning that their effects will be underestimated and that the proportion of variance explained for these variables will be low. Figure 2 reveals that this possibility is not imaginary: The proportions of explained variance for strain/fatigue-related absence and inequity (of which worker's investments were a constituent part) were relatively low, suggesting that unrelia-

The practical implications of this study are necessarily limited in terms of the number of concepts measured. This implies that several interesting (and possibly important) concepts could not be measured. For example, it would seem likely that a dispositional variable such as negative affectivity influences workers' perceptions of the likelihood of future downsizing, while this concept may also be related to the strain outcomes included in this study.

Finally, the present study examined the effects of downsizing in one particular national setting (i.e., Finland). This could imply that it might be hard to generalize the results of this study to other national settings, as the incidence of downsizing could be different in Finland than in other settings. There is some reason to believe that this reasoning applies. For instance, whereas 29% of the American employees reported that it was somewhat or very likely that they would lose their current job in the next couple of years (Bond et al., 1998), only 8% of the Finns feared to be dismissed during the coming year, while only 13% worried about possible layoffs (Finnish Ministry of Labor, 2001). This suggests that downsizing is much more prevalent in the United States than in Finland. One possible explanation is that in Finland (as in other Scandinavian and West European countries such as Sweden and the Netherlands), it is legally much more difficult (and expensive!) for employers to dismiss part of their personnel for reasons of optimizing business processes and increasing profits than in an archetypically capitalist country such as the United States.

As regards the generalizability of the present findings to other national contexts, this reasoning might lead one to expect that the impact of experiencing a downsizing on well-being is greater in Finland than in the United States; after all, downsizing is not an everyday-occurring phenomenon in Finland, and employers of persons who easily found a new job after being dismissed during downsizing might be rare. Thus, downsizing could instigate relatively high levels of stress and strain among Finns, and the magnitude of the association between downsizing and stress/stress could also be stronger for Finns than for U.S. citizens. Note, however, that earlier research has shown that even U.S. citizens experience stress and strain after downsizing (among others; Burke & Greenglass, 2000b). Thus, there is little reason to expect that the present set of findings is unique to Finland; the present results concerning the relationship between downsizing, strain, and outcome variables can presumably largely be generalized to other national contexts.

Practical Implications

Our results, although preliminary and with limitations, do have practical implications for stress prevention during organizational change. If anything, the findings suggest that downsizing leads to strain among the workers, whether or not they themselves will directly be affected by a reorganization. In particular, the effects of anticipated future downsizings on worker well-being were relatively strong, even though it was not certain that they would person be affected by a future downsizing. This suggests that even rumors about possible downsizing may have detrimental effects on employee well-being, whether or not they are actually involved in these downsizings. Given that these possible adverse effects of employee well-being for the organization (e.g., employee motivation, high turnover rates, high stress/fatigue-related absence), it would seem to be in organization's interest to inform their personnel soon and as detailed as possible about oncon organizational changes in general and downsizing in particular, and their implications for the organization and individual workers.

References


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