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# Older Workers in Restructuring

Birgit Köper, Janine Dorsch, Greg Thomson and Götz Richter \*

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## 1. The Changing World of Work

Changes in society and work settings are not a new phenomenon. They are related to both taking chances and risks, and may range from slight alterations to radical changes, which affect organisational structures or even their very existence<sup>1</sup>.

What we are currently witnessing, however, is changes taking place at an increased pace and through different dynamics, which call for adaptation and coping strategies at several levels, whether concerning employees, businesses, or the society as a whole. Major changes at the societal level are associated with globalisation, the growth of service-oriented and knowledge-based industries, demographic factors, the spread of information technology, and increasing reliance on certain economic principles, such as profitability and efficiency<sup>2</sup>.

Within both profit and non-profit organisations, this trend leads to the establishment of more flexible work patterns, precarious contractual arrangements, new meanings assigned to concepts such as leadership and management – e.g. management by objectives – and new forms of organisational restructuring. These developments are often associated with a change or a rise in labour demand, work intensification and higher level of stress.

Demographic shifts also alter the employment structure in a considerable manner. The participation rate of women and older workers, as well as the increasing prevalence of migrant workers will produce a more diversified workforce. One major challenge resulting from this is the recognition of workers' skills and qualifications in other areas and industries. High unemployment rates, coupled with skills shortage in some sectors are

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<sup>1</sup> R. Trinczek, *Überlegungen zum Wandel von Arbeit*, in *WSI Mitteilungen* 11, 2011, 606-614.

<sup>2</sup> *Ibid.*

indicative of this problem<sup>3</sup>. In order to compensate for this imbalance, workers are supposed to be even more flexible, in terms of where, when, and how much they work, as well as in relation to their tasks and what is required of them<sup>4</sup>.

New opportunities supplied by information technology represent a basic component for enhancing flexibility. Because of a more rapid exchange of data and information, there is no need on the part of workers to operate at a fixed workplace. Of course this aspect furthers their scope of action, yet posing some questions in terms of work-life balance.

As already pointed out, the definition of “leadership” itself is now laden with new meanings resulting from the introduction of new practices, such as that of management by objectives, so that workers have to organise themselves, and are accountable for both their work processes and the results as entrepreneurs<sup>5</sup>.

In short, changes in the world of work constitute a challenge not only for policy-makers and employers, but also for workers in terms of increased demand associated with workload and work intensity, flexibility and responsibility, which might cause psychological distress, and have negative effects on their health.

On the basis of these considerations, the present paper addresses the issue of restructuring, and its impact on workers, particularly on older ones, for they are assumed to face more difficulties to cope with the rise in demand, in terms of adapting to permanent changes.

After some introductory remarks describing our understanding of vulnerable workers, some general findings outlining the potential negative outcomes of restructuring are presented. Further, drawing on a case study and data from a representative survey on working conditions conducted in Germany, an investigation will be provided on whether, and to what extent, older workers are more vulnerable in this respect. In considering some recent projects funded by the European Union, a set of recommendations is provided for managing restructuring in a supportive way and mitigating potential negative social outcomes.

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<sup>3</sup> European Commission GREEN PAPER - *Restructuring and Anticipation of Change: What Lessons from Recent Experience?* Brussels, 2012.

<sup>4</sup> M. Baethge, V. Baethge-Kinsky, *Jenseits von Beruf und Beruflichkeit? Neue Formen der Arbeitsorganisation und Beschäftigung und ihre Bedeutung für eine zentrale Kategorie gesellschaftlicher Integration*, in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* vol. 31, No. 3, 1998, 461-472.

<sup>5</sup> G. G. Voß, H. J. Pongratz, *Der Arbeitskraftunternehmer. Eine neue Grundform der Ware Arbeitskraft?*, in *Kölner Zeitschrift für Soziologie und Sozialpsychologie (FZfSS)* vol. 50, No. 1, 1998, 131-158.

## 2. Restructuring

Upward trends in globalisation, challenges and increased competitiveness in markets, new opportunities afforded by technology, and stress arising from the recent economic crises, have sped up restructuring processes among enterprises. Indeed, according to the Green Paper published by the European Commission<sup>6</sup>, “restructuring is a crucial factor for employment and for the competitiveness of the European economy”. The above further stresses the significance of effective management during organisational changes.

### 2.1. Definition and Scope of Application

There is no universally accepted definition of restructuring. The term is used to describe a range of organisational phenomena other than ongoing adaptation which affects the structural features of the undertaking. The European Monitoring Centre of Change makes use of ‘restructuring’ in a loose sense to refer to different kinds of major changes (European Monitoring Centre on Change)<sup>7</sup>, such as:

- Relocation (activities are relocated to another location within the same country);
- Offshoring (activities are relocated to another location outside the country);
- Outsourcing (activities are subcontracted to another company within the same country);
- Bankruptcy/Closure (a premise is shut down or a company is faced with bankruptcy for economic reasons);
- Merger/Acquisition (two companies merge or the acquisition of an undertaking takes place, which then entails internal restructuring);
- Internal restructuring (the company undertakes a plan to reduce the workforce, or to initiate restructuring differently from those mentioned above);

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<sup>6</sup> European Commission GREEN PAPER - *Restructuring and Anticipation of Change: What Lessons from Recent Experience?*, cit.

<sup>7</sup> European Monitoring Centre on Change (2011). European Restructuring Monitor. Available from: [www.eurofound.europa.eu/emcc/index.htm](http://www.eurofound.europa.eu/emcc/index.htm)

- Business expansion (a company extends its activities, consequently increasing the number of recruitments).

The European Restructuring Monitor collects data on restructuring from all European countries on a regular basis. Such statistics, however, are based on newspaper reports and only concern layoffs which are of a certain extent.

Accordingly, the picture given at international level regarding redundancy programmes cannot be deemed to be reliable, as it rests on whether or not they are reported in the media. A representative survey on working conditions (n=20,000) carried out in Germany includes questions about major changes at work such as those related to production and new techniques, organisational changes and higher levels of psychological strain. Based on this study, the manufacturing sector and the public sector in particular have been restructured, with more than 50% of the interviewees reporting changes in both sectors.

Restructuring is generally accompanied by further changes in terms of work organisation, labour demand, processes and so forth. Undertakings facing restructuring are more likely to experience adjustment in production processes, personnel, organisational issues and labour demands, where stress, work pressure, and job rotation are major components.

## *2.2. The Impact on Workers' Health*

From a pragmatic point of view, the way in which restructuring is planned and managed transcends the organisational issues in a strict sense, and can affect workers' wellness. Work intensification and stress can leap, whereas work satisfaction and motivation can be reduced, thus impacting workers' health<sup>8</sup>.

Following restructuring, workers are faced with numerous changes in their work environment. As previously seen, they report changes in terms of processes, products, personnel and organisational issues, tasks and demand, which are chiefly related to work pressure and stress<sup>9</sup>.

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<sup>8</sup> T. Kieselbach, E. Armgarth, S. Bagnara, A. L. Elo, S. Jefferys, C. Jolin, *et al.*, *Health in Restructuring. Innovative Approaches and Policy Recommendations*, European Expert Group on Health in Restructuring, Hampp Verlag, Munich, 2009, 22.

<sup>9</sup> T. Kieselbach *et al.*, *op. cit.*; M. Kivimäki, T. Honkonen, K. Wahlbeck, M. Elovainio, J. Pentti, and T. Klaukka, *Organisational Downsizing and Increased Use of Psychotropic Drugs among*

A group of European experts, *Health in Restructuring – HIRES*<sup>10</sup> – reviewed the findings on the negative outcomes in terms of health on workers' who experienced layoffs indirectly, yet not being made redundant (e.g. a colleague being dismissed). What emerged was that such workers were exposed to severe risks such as:

- Impairment in self-rated health state<sup>11</sup>;
- Increase of certified sickness absence<sup>12</sup>;
- Impaired sleep<sup>13</sup>;
- Impaired “recuperativeness”<sup>14</sup>;
- Increased self-reported stress<sup>15</sup>;
- Cardiovascular impairment and increased rates of related mortality<sup>16</sup>;
- Increased drug addiction<sup>17</sup>;
- Increased number of medical prescriptions/use of psychotropic drugs<sup>18</sup>;
- Increase of smoking and alcohol consumption<sup>19</sup>;

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*Employees who Remain in Employment*, in the *Journal of Community and Environmental Health*, vol. 61, 2007, 154-158; U.B. Eriksson, B. Starrin, S. Janson, *Long-term Sickness Absence due to Burnout*, in *Absentees' Experiences, Qualitative Health Research*, vol. 18, No. 5, 2009, 620-632.

<sup>10</sup> T. Kieselbach *et al.*, *op. cit.*; L. Henry, *et al.*, *The Health Impact of Restructuring on Public Sector Employees and the Role of Social Dialogue (HIRES.Public)*, Final Report for DG Employment, Social Affairs and Equal Opportunities, EU Commission, WLRI, 2011.

<sup>11</sup> J. Vahtera, M. Kivimäki, J. Pentti, A. Linna, M. Virtanen, P. Wirtanen, and J. E. Ferrie, *Organisational Downsizing, Sickness, Absence and Mortality*, in *British Medical Journal*, 2004, 328, 555; B. Beermann, I. Rothe, *Restrukturierung, betriebliche Veränderung und Anforderungen an die Beschäftigten – einige empirische Befunde*, in L. Schröder, H. J. Urban, (eds.) *Gute Arbeit*, Bund-Verlag, Frankfurt, 2011.

<sup>12</sup> *Ibid.*

<sup>13</sup> F. Campbell-Jamison, L. Worrall, and C. Cooper, *Downsizing in Britain and its Effect on Survivors and their Organisations*, in *Anxiety, Stress and Coping*, vol. 14, 2001, 35-58.

<sup>14</sup> P. Richter, C. Nebel, and S. Wolf (2010). *Ja macht nur einen Plan! – Gesundheitsinterventionen in turbulenten Zeiten*, in T. Rigotti, S. Korek, and K. Otto (eds.). *Gesund mit und ohne Arbeit*, Papst, Lengerich, 2010, 73-90.

<sup>15</sup> B. Beermann, I. Rothe, *op. cit.*; M. Kivimäki, J. Vahtera, M. Elovainio, J. Pentti, and M. Virtanen, *Human Costs of Organisational Downsizing, Comparing Health Trends between Leavers and Stayers*, in *American Journal of Community Psychology*, vol. 32, 2003, 57-67.

<sup>16</sup> Vahtera *et al.*, *op. cit.*

<sup>17</sup> M. Kivimäki *et al.*, *Organisational Downsizing and Increased Use of Psychotropic Drugs among Employees who Remain in Employment*, in *Journal of Community and Environmental Health*, *cit.*

<sup>18</sup> *Ibid.*

<sup>19</sup> A. Weber, G. Hörmann, W. Heipertz, W. (2007). *Arbeitslosigkeit und Gesundheit aus sozialmedizinischer Sicht (Unemployment and health from a sociomedical perspective)*. in *Deutsches Ärzteblatt*, No. 104, 2007, 2957-2962. M. R. Frone, *Are Work Stressors Related to Employee*



- Increase of musculoskeletal symptoms<sup>20</sup>;
- Increase in the entitlement of disability pensions<sup>21</sup>.

### 2.3. Restructuring and Psychological Distress

It is not clear which mechanisms lead to restructuring impacting workers' health. The objective conditions characterising this process may not determine the same reaction among workers. If anything, repercussions on health are rather different, chiefly if one considers effects such as an increase in psychological strain<sup>22</sup>, loss of organisational trust<sup>23</sup>, and feelings of helplessness and loss of control. If workers are faced with either excessive or insufficient labour demand, they react with insecurity<sup>24</sup>, frustration and anxiety<sup>25</sup>. Organisational changes and increased demands are also related to psychological strain<sup>26</sup>. Vahtera et al. 2004<sup>27</sup> discuss three potential underlying mechanisms to support the argument that workers in working environments who undergo major changes are more likely to suffer from related medical conditions, namely:

- Alterations in the characteristics of work (job insecurity, labour demand, job control);
- Effects of social relations (support by colleagues and supervisors);

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*Substance Use? The Importance of Temporal Context Assessments of Alcohol and Illicit Drug Use*, in *Journal of Applied Psychology*, vol. 93, No. 1, 2008, 199-206.

<sup>20</sup> M. Kivimäki, J. Vahtera, J. Pentti, I. Thomson, A. Griffiths, and T. Cox, *Downsizing, Changes in Work, and Self-rated Health of Employees: A 7-year 3-wave Panel Study*, in *Anxiety, Stress and Coping*, vol 14, 2001, 59-73.

<sup>21</sup> Vahtera et al., *op. cit.*

<sup>22</sup> R. Kalimo, T.W. Taris, and W. B. Schaufeli, *The Effect of Past and Anticipated Future Downsizing on Survivor Well-being: An Equity Perspective*, in *Journal of Occupational Health Psychology* vol. 8, 2003, 91-109.

<sup>23</sup> U.B. Eriksson, et. al., *op. cit.*; F. Campbell-Jamison, et al., *op. cit.*

<sup>24</sup> A. Rafferty, M. Griffin, *Perceptions of Organisational Change: A Stress and Coping Perspective*, in *Journal of Applied Psychology*, vol. 91, 2006, 1154-1162.

<sup>25</sup> S. J. Ashford, *Individual Strategies for Coping with Stress During Organizational Transitions*, in *Journal of Applied Behavioral Science* vol. 24, 1988, 19-36.

<sup>26</sup> C. R. Wanberg, J. T. Banas, *Predictors and Outcomes of Openness to Changes in a Reorganizing Workplace*, in *Journal of Applied Psychology*, vol. 85, 2000, 132-142; R. Randall, K. Nielsen, S. T. Tvedt, *The Development of Five Scales to Measure Employees' Appraisals of Organizational-level Stress Management Interventions*, in *Work and Stress*, No. 23, 2009.

<sup>27</sup> J. Vahtera, M. Kivimäki, J. Pentti, A. Linna, M. Virtanen, P. Wirtanen, and J.E. Ferrie: *Organisational downsizing, sickness absence and mortality*. *British Medical Journal*, 2004, 328, 555

- Bad habits (smoking and excessive alcohol consumption).

Stress, work intensity and multiplicity of demands increase more significantly in restructured organisations than in organisations without restructuring<sup>28</sup>. Permanent restructuring does not cause adaptation effects, but rather increases the risk of stress and work intensity<sup>29</sup>.

Subsequent to this outlook of the potential impacts of restructuring on the workforce, as well as some insight into certain related aspects, the focus will now turn to whether and to what extent older workers are more at risk of suffering from ill health in organisations which undergo restructuring.

### 3. Vulnerable Workers

Vulnerability can be investigated from different perspectives, each of which helps address some fundamental questions about its meaning in the context of restructuring. These questions can be summarised thus:

- Is vulnerability merely an aspect arising from the contractual relationship concluded between the parties? In other words, in which cases does vulnerability apply to a range of workers with utterly different characteristics. Is it some key determinants of vulnerability – such as old age – which make the worker more vulnerable? Or;
- Is it a combination of both, where certain characteristics make a worker more likely to be in a more vulnerable condition in occupational terms?
- Are there some broader conclusions that can be drawn about what this means for certain categories of workers, when they face restructuring?

It is these different perspectives that colour our understanding of vulnerability and its meaning in the context of restructuring.

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<sup>28</sup> B. Beermann, I. Rothe, *op. cit.*;

<sup>29</sup> T. Rigotti, K. Otto, *RESTRukturierung in Deutschland: Qualitative Analyse, Systematisierung und Typologie (REQUEST)*, Interner Bericht der BAuA, 2012. N. Wiezer, *et al.*, Exploring the Link between Restructuring and Employee Well-being, PSYRES, 2011.

From an employer's perspective, Atkinson's<sup>30</sup> model of flexible firms clarifies how employers might use peripheral workers to respond to a dynamic environment. Lacking the inherent safeguards provided to core workers by the contractual relationship, the number of peripheral workers can be reduced relatively quickly, enabling the business to respond to the changing environment by means of numerical flexibility. This is quite an attractive way of categorising vulnerable workers, with respect to restructuring, as peripheral workers are by definition more expendable, and thus more vulnerable.

The flexible firm outlined by Atkinson is, however, an oversimplification, an idealised type<sup>31</sup>, the reality being that many workers who would qualify as peripheral workers, such as certain specialists, are not directly employed by choice, for they can ask for a premium as external consultants.

Nor do all core workers possess skills that are critical to the firm. Indeed, many firms with a large peripheral workforce also have a large low-skilled core workforce<sup>32</sup>. Some firms will naturally make peripheral workers redundant because they form the line of least resistance and costs when it comes to restructuring. However, this is only a part of the story, and workers' characteristics are also important.

The 2008 report *Hard Work Hidden Lives*<sup>33</sup>, produced by the Trade Union Congress (TUC) and the Commission on Vulnerable Employment, took a more worker-centred approach: "Precarious work that places people at risk of continuing poverty and injustice resulting from an imbalance of power in the employer-worker relationship".

In this definition, workers' vulnerability is the result of their lack of power in the workplace. The Commission estimated that there are about two million vulnerable workers in Britain. It is the nature of the workers that makes them vulnerable, not just their contractual status, yet the latter might be affected by their characteristics, too.

Safety for vulnerable workers in the construction industry has been an important issue for some time. In dealing with this question, the UK Health and Safety Executive has made use of a 'vulnerability indicator', as can be seen in Table No. 1:

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<sup>30</sup> J. Atkinson, *Manpower Strategies for Flexible Organizations*, *Personnel Management* vol. 16, 1984, 28-31.

<sup>31</sup> A. Kalleberg, "Organizing Flexibility: The Flexible Firm in the New Century." *British Journal of Industrial Relations*. 2001, 39: 479-504.

<sup>32</sup> *Ibid.*

<sup>33</sup> *Commission on Vulnerable Employment, Hard Work Hidden Lives, TUC, 2008.*

Table No. 1 – Categorisation for Vulnerability.

		Capacity or Means to Protect Themselves	
		High	Low
Risk of Being Denied Employment Rights	Low	Protected by Normal Employment Relations	Protected by others
	High	Protected by their own Efforts	Vulnerable

Source: HSE CONIAC<sup>34</sup>, 2009.

The Health and Safety Executives/HSE singled out four vulnerable groups in the construction industry on the basis of this template; ageing workers, young workers, agency workers and foreign/migrant workers. This indicator provides a useful starting point for analysis with respect to restructuring. However, it may be the case that the groups identified by the HSE are specific to the construction industry, so that the reasons identifying ageing workers as more vulnerable may not necessarily apply in other sectors.

Vulnerable workers are also sometimes seen as a distinct group whose employment is atypical, thus making them precarious. Guy Standing, in his book *The Precariat; The Dangerous New Class*<sup>35</sup> argues that precarious employment is now so widespread and embedded that precarious workers represent a new class, i.e. the precariat. It is perhaps difficult to see vulnerable workers as a class. Yet the book makes a cogent argument for the widespread nature of vulnerable employment.

The HIRES report<sup>36</sup> addresses precarious employment from two angles. First and foremost, recommendation number eight of the twelve HIRES recommendations provides that contingent and temporary workers should have the same employment rights as permanent workers, thus

<sup>34</sup> HSE Coniac, *Report of the Vulnerable Workers Working Group, Paper M1/2009/2, 2009.*

<sup>35</sup> G. Standing, *The Precariat; The Dangerous New Class*, Bloomsbury Academic, 2011. Statistisches Bundesamt (2009a). *Statistisches Jahrbuch 2009: Für die Bundesrepublik Deutschland*, September, Wiesbaden, 2009a.

<sup>36</sup> T. Kieselbach *et al.*, *op. cit.*

acknowledging that these workers are particularly vulnerable during restructuring. The report also argues that restructuring tends to increase precarious employment, as the drive to increase competitiveness leads to the greater use of precarious workers, and that precariousness is itself a factor in increasing poor health as a result of restructuring<sup>37</sup>. Vulnerability is therefore a risk factor in restructuring, and can exacerbate the negative effects on health associated with it.

The notion of vulnerable employment can convey different meanings. Vulnerable workers are best understood as being a combination of different forms of vulnerability, where the contractual arrangement under which individuals are hired defines whether or not they are vulnerable, as well as the level of vulnerability at an individual level.

The characteristics pointing to individual vulnerability might mean, as likely as not, that workers find themselves in a contractual scheme that makes them vulnerable. By the same token, vulnerable workers are more likely to be made redundant, which, it is argued, leads to negative effects in terms of health.

#### 4. The Effect of Restructuring on Older Workers

The ageing population across Europe makes it necessary to take a closer look at older workers' employability, as well as their health and well-being. In recent years, policies in Europe were intended to boost older workers' employment levels. In the framework of the Lisbon process at EU level, it was agreed that the employment rate of the population aged 55-64 years should be increased to over 50% by the year 2010. By way of example, in Germany, the employment target for older workers – that is those in the 55 to 64 age group – was achieved for the first time in 2007, with an employment rate of 51.3%. With a rise of 13.4% over the last 10 years, the employment rate of this category of workers in Germany had the most significant increase in comparison to other age groups<sup>38</sup>. In 2011, the employment rate for older workers was already 59.9%. On average, in all European countries the employment rate of older workers rose by approximately 10% to 47.4% (2011) in the last decade<sup>39</sup>. Against the background of this development, “older workers are increasingly regarded

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<sup>37</sup> T. Kieselbach *et al.*, *op. cit.*, 39.

<sup>38</sup> Statistisches Bundesamt (2009): *Bevölkerung Deutschlands bis 2060. 12. koordinierte Bevölkerungsvorausberechnung*. Wiesbaden.

<sup>39</sup> Eurostat, *Erwerbstätigenquote älterer Erwerbstätiger*, 2012.

as a key asset, in terms of European competitiveness”<sup>40</sup>. However, and concurrently, older workers are often referred to as a “vulnerable group” in the labour market. Indeed, the general image of older workers in our society is usually prejudiced, as characterised by lower performances, downtime due to illness, and low skills, particularly in relation to new technologies<sup>41</sup>. Therefore, personnel policies are often drafted considering the foregoing aspects, especially during restructuring. On the one hand, these practices equate to corporate policy, chiefly when older workers are dismissed through restructuring. On the other hand, older workers who are made redundant as retiring in the near future, are morally and politically easier to justify than high youth unemployment – and indeed, intergenerational equity was always an argument for early retirement<sup>42</sup>. Thus, this approach led to the early retirement of many older workers<sup>43</sup>. However, the “soft” form of restructuring/downsizing is no longer possible in the so far practiced dimensions because of national government initiatives closing early retirement routes, due to the implications of demographic change. One hypothesis is that these additional barriers to re-employment make older workers now particularly vulnerable in working life.

#### 4.1. Case Study and Secondary Data Analysis

In order to analyse whether or not older workers are more affected by restructuring in terms of stress and ill health, both a case study and a secondary data analysis have been conducted.

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<sup>40</sup> European Commission, *Investing in Well-being at Work. Addressing Psychosocial Risks in Times of Change*. Luxembourg, 2009.

<sup>41</sup> J. Grumbach, U. P. Ruf, *Demografischer Wandel in der Arbeitswelt: Handlungsrahmen und Handlungsfelder von Unternehmen, Gewerkschaften und Staat*, in T. Länge, B. Menke, (eds), *Generation 40plus. Demografischer Wandel und Anforderungen an die Arbeitswelt* Bertelsmann Verlag, Bielefeld, 2007, 33-66; H. Künemund, *Beschäftigung, demografischer Wandel und Generationengerechtigkeit*, in T. Länge, B. Menke, (eds.) *Generation 40plus. Demografischer Wandel und Anforderungen an die Arbeitswelt*, Bertelsmanns Verlag, Bielefeld, 2007, 11-32.

<sup>42</sup> H. Künemund, *op. cit.*

<sup>43</sup> F. Höpflinger, W. Clemens, W. (2005). *Zum Generationenmix in einer demografisch alternden Arbeitswelt*, in W. Clemens, F. Höpflinger, and R. Winkler, (eds.), *Arbeit in späteren Lebensphasen. Sackgassen, Perspektiven, Visionen*, Haupt Verlag, Bern/Stuttgart/Vienna 2005, 215-238.

#### *4.1.1. Elder Workers in Companies Experiencing Restructuring*

In view of the above, the EU-project *Elder Employees in Companies Experiencing Restructuring: Stress and Well-being* (ELDERS) has therefore become a focus.

Previous international research indicates that restructuring contributes to increasing perceived job insecurity, even amongst those workers who stayed in the company after restructuring. Hence, a survey should give more of an insight into the situation of not only older, but also younger workers in firms facing restructuring, in terms of stress and well-being. In the current crisis, the banking sector is under severe restructuring, and was therefore singled out for the survey.

One of the largest savings banks in Germany took part in the survey. Savings banks have the task of offering secure and interest-bearing investments, and satisfying local credit needs. Here the financial gain is not the main purpose of the business. In general, savings banks are publicly-owned. In recent years, however, profitability has become more important, so that there has been some centralisation of units as well as outsourcing. During restructuring, various measures were carried out, and workers were made redundant. However, in comparison to other companies, savings banks offer their employees positions characterised by higher levels of protection.

#### *4.1.2. The Study and the Sample*

In September 2010, a questionnaire was sent out to different departments, which had been recently restructured. More specifically, 237 questionnaires were delivered, resulting in 117 responses from 37 men and 80 women. The respondents were divided into two groups: a first group of 72 younger employees between the age of 28 and 49, and a second group with 45 older employees from 50 to 57 years. The respondents were asked to assess their feelings regarding their current and future prospects at work, and their plans for the following years.

For a better classification of the results, the nature of the restructuring process of this savings bank will be briefly specified. Neither the ownership nor the continuance of the organisation was at stake. There was no structural change that threatened workers' qualification. Restructuring here was more a question of corporate strategy. The company would like to improve the strength of their position in the market, as well as to increase profitability. Therefore, restructuring, in this

case, involved mainly organisational changes, and only a few individuals have been affected by layoffs. However, for the majority of the respondents, the restructuring had some effect on their working situation, while for some it had a positive or a negative effect (see Table No. 2). A significant difference among younger employees could not be found.

Table No. 2 – *Impact of Changes after Restructuring in %.*

<b>Consequences changes have for (in %)</b>	<b>Workers</b>	<b>Decreased</b>	<b>Unchanged</b>	<b>Increased</b>
Application of Experience and Skills	Younger	33.8	46.5	19.7
	Older	32.6	44.2	23.3
Hierarchy in the Company	Younger	27.1	67.1	5.7
	Older	27.3	68.2	4.5
Overall Levels of Responsibility	Younger	26.8	46.5	26.8
	Older	27.3	47.7	25.0
Monthly Income	Younger	15.5	80.3	4.2
	Older	9.1	86.4	4.5

Source: *ELDERS*.

*4.1.3. Secondary Data Analysis*

In order to test the results from the exploratory case study, additional data from the representative BIBB/BAuA survey carried out during 2011-2012 were analysed for any adverse health effects experienced by older workers during restructuring. The BIBB/BAuA study is a representative survey conducted on 20,036 employees in Germany every six years. Differences between these age groups without and after restructuring should be identified. Therefore, workers from 20 until reaching the retirement age of 65 (n=19450) were divided into three groups: younger workers from 20 to 34 years (n=5113), middle-aged workers between 35 and 49 years (n=8309) and older workers from 50 to 64 years (n=6029).



## 4.2. Results

### 4.2.1. Case Study Results

The result of restructuring – even if only a few workers have been dismissed – is ongoing job insecurity<sup>44</sup>. The perception of job insecurity may have adverse effects on health, and thus, the remaining employees cannot always be considered to be unaffected. Physical and psychological stress can arise from this situation for the remaining employees<sup>45</sup>. Noer<sup>46</sup> describes this as “layoff survivor sickness”. Job insecurity has emerged as one of the most stressful aspects of a work situation<sup>47</sup> and results from both situational as well as from a number of individual factors relate this. There is a close relationship between the perception of job insecurity and negative responses, such as work-related attitudes and behaviours, and work-related stress symptoms<sup>48</sup>. Against the background of an ageing workforce, the factor ‘age’ is particularly important when related to job insecurity.

However, the assumption that the perception of job insecurity increases with age could not be confirmed in our case study. Rather, it was found that younger workers were more concerned with the security of their job (see Figure No. 1). In total, almost all younger workers (93%) expressed their concerns about the continued existence of their position, in comparison to only 62% of older employees. The figures in the report *Restructuring in the Recession 2009* of the European Foundation for the Improvement of Living and Working Conditions, also show that younger workers under 25 years were particularly affected, compared to all other

<sup>44</sup> J. Hartley, D. Jacobson, B. Klandermans, and T. Van Vuuren, (eds.), *Job insecurity: Coping with Jobs at Risk*. Sage, London, 1991. M. Kivimäki, et al., *Factors Underlying the Effect of Organisational Downsizing on Health of Employees: Longitudinal Cohort Study*, 2000.

<sup>45</sup> T. Kieselbach et al., *Gesundheit und Restrukturierung: Innovative Ansätze und Politikempfehlungen*, Rainer Hampp Verlag, 2009a.

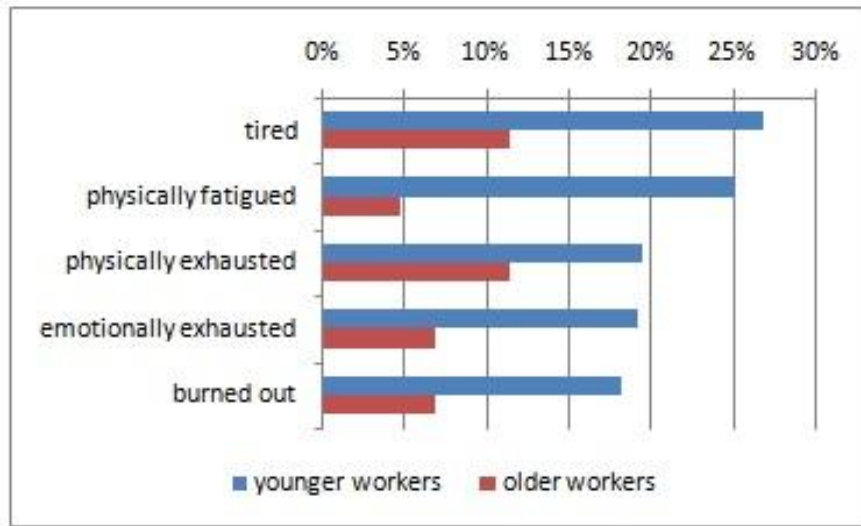
<sup>46</sup> D. M. Noer, *Layoff Survivor Sickness: What it is and What to Do about it*, in M. K. Gowing, J. D. Kraft, and J.C. Quick. (eds.), *The New Organisation Reality? Downsizing, Restructuring and Revitalization*, American Psychological Association, Washington D.C., 1997, 207-220.

<sup>47</sup> H. De Witte, *Job Insecurity and Psychological Well-being: Review of the Literature and Exploration of Some Unresolved Issues*, in *European Journal of Work and Organizational Psychology* vol. 8, 1999, 155-177.

<sup>48</sup> M. Sverke, H. Hellgren, and K. Näsvall, *Arbeitsplatzunsicherheit: Überblick über den Forschungsstand*, in B. Badura, H. Schellschmidt, C. Vetter, (eds.), *Fehlzeiten-Report 2005. Arbeitsplatzunsicherheit und Gesundheit*, 2005, 59-92.

age groups in the current economic crisis<sup>49</sup>. To the extent that when the respondents were asked about their perception at work in the last 30 working days, the results show higher physical and emotional distress for younger employees (see Figure No. 2). A fifth to a quarter of younger workers pointed out that they are tired at work, suffering from physical fatigue, and physically and emotionally exhausted, in comparison to only 5% to 11% of their older counterparts.

Figure No. 1 – Percentage of Employees Who Reported Physical and Emotional Strain at Work in the Last 30 Work Days After Restructuring.

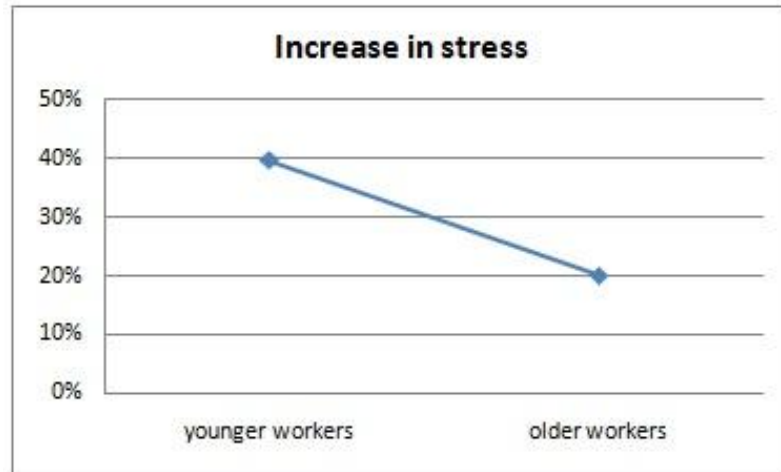


Source: ELDERS.

When respondents were asked if their levels of stress had increased, fewer older workers (20%) reported a rise of stress compared to younger workers (40%).

<sup>49</sup> J. Hurley, I. Mandl, D. Storrie, and T. Ward, *Restructuring in Recession*, ERM REPORT 2009, European Foundation for the Improvement of Living and Working Conditions, Dublin, 2009.

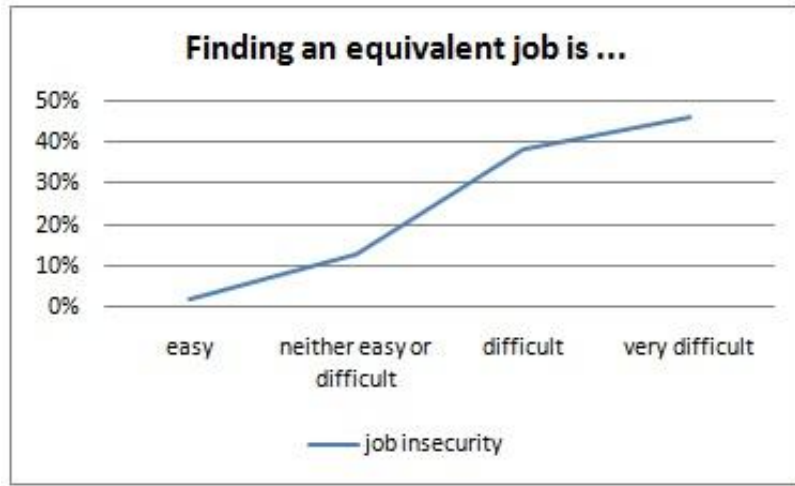
Figure No. 2 – Percentage of Employees Who Reported an Increase in Stress after Restructuring.



Source: ELDERS.

In addition, the analysis showed that, irrespective of age, the personal assessment of how easy it will be to find a new job influences the perception of job insecurity: the more difficult someone thinks it is to find an equivalent job, the greater the perceived job insecurity (see Figure No. 3).

Figure No. 3 – Correlation between the Assessment of Finding an Equivalent Job and Job Insecurity (in %).



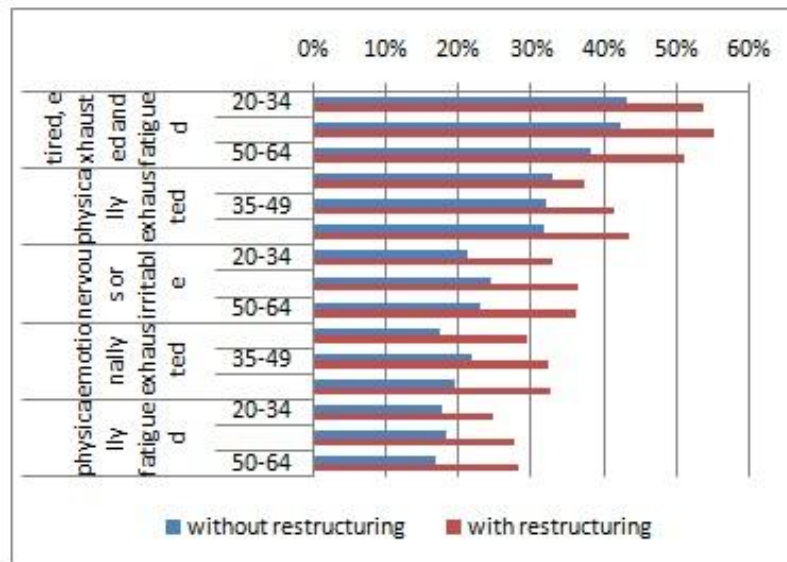
Source: ELDERS.

4.2.2. Results of Secondary Data Analysis

The analysis of the representative survey confirmed that there were barely any differences between older and middle-aged employees, in terms of exhaustion, fatigue and stress. Both groups, however, differed from young employees, i.e. those under 35 years.

The following figure highlights the differences in the perception of physical and emotional distress. The respondents, whose work environment underwent restructuring in recent times, reported higher levels of mental and physical distress. However, between the three age groups, no significant effects could be determined. Though the youngest group of workers reported less exhaustion, irritability and fatigue, their older peers did not report a higher number of cases of medical conditions compared to the middle-aged workers.

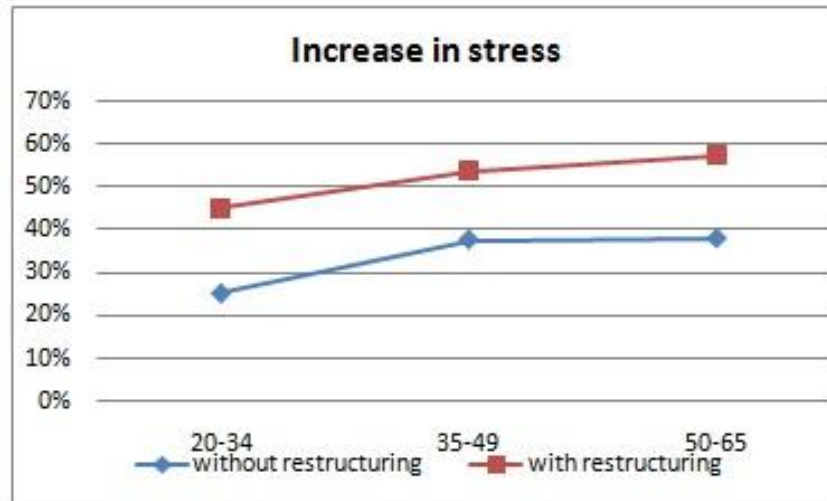
Figure No. 4 – Percentage of Employees Who Reported Physical and Emotional Strain at Work during the Last 12 Months With/Without Restructuring in the Last Two Years.



Source: BiBB/BAuA 2011/12.

Similar results were reported in terms of stress. The respondents were asked if their levels of stress had increased within the last two years. The results showed that, in all three age groups, more stress was perceived when the company had previously been restructured. Younger workers seem to sense the increase of stress less than the middle-aged and older workers. However, older workers report hardly any more stress than middle-aged workers.

Figure No. 5. Percentage of Employees who Reported an Increase in Stress With/Without Restructuring in the Last Two Years.



Source: BiBB/BAuA 2011/12.

### 4.3. Discussion

Restructuring can negatively impact health, and produces work intensification and stress<sup>50</sup>. It is assumed that ill health in this context emerges from job insecurity and anxiety<sup>51</sup>. This insecurity is not necessarily limited to the fear of losing one's job, since similar effects can result from changes in working conditions, such as new demands, or declines in responsibilities and authority.

In this contribution, an analysis has been provided of whether older workers are more vulnerable to negative effects arising from restructuring, such as perceived stress and ill health, particularly in terms of exhaustion and fatigue. For this purpose, an investigation has been carried out considering a case study and a secondary analysis of a representative employee survey on working conditions.

<sup>50</sup> T. Kieselbach *et al.*, *op. cit.*; B. Köper, G. Richter, *Restrukturierung in Organisationen und mögliche Auswirkungen auf die Mitarbeiter*, Dortmund, 2012.

<sup>51</sup> J. Vahtera *et al.* 2004, *op. cit.*

As evidenced by the representative survey<sup>52</sup>, restructuring clearly increases the exposure to stress for all and not just for older workers. This group differed from those consisting of young workers under 35 years in terms of perceived stress, yet not from middle-aged workers. Moreover, employees in firms undergoing restructuring reported more physical and emotional exhaustion, nervousness, irritability, fatigue and burnout. Also, in terms of impacting on individual health, older workers were not particularly affected compared to their middle-aged counterparts. Hence the hypothesis that older workers might suffer more severely under restructuring and might form a more vulnerable group could not be put forward.

On the contrary, in the present case study older workers over 50 years suffered even less compared to their younger counterparts. The reason for this probably lies in the specific circumstances of the restructuring that we analysed. Only few people in the organisation were given notice, so that job security was not at stake, particularly for older workers. Our case study concerned a savings bank, which belongs to the public sector. Traditionally, the principle of seniority still applies in organisations like this – meaning that older workers did not fear for their jobs at all. In this context, job tenure as regulated by German legislation (art. 1 KSchG, par. 3, 1) provides better protection against dismissals due to a longer seniority. Long-standing affiliation with the company, and thus an attachment to the company, can lead to the assumption that the workplace offers protection against dismissal, although Mohr<sup>53</sup> describes this as a naive conviction. The positive correlation of the two variables ‘age’ and ‘job tenure’ backs up the argument of the positive effect of legal protection for older workers with long-term employment contracts. Furthermore, younger workers are more often temporarily employed than older ones, and can therefore be dismissed more easily. In addition, the “last in, first out” principle is the reason for which younger workers are more often laid off during restructuring<sup>54</sup>. Furthermore, older people

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<sup>52</sup> BIBB/BAuA, *Beschäftigtenbefragung 2011/2012 – Arbeit und Beruf im Wandel, Erwerb und Verwertung beruflicher Qualifikationen*.

<sup>53</sup> G. Mohr, *The Changing Significance of Different Stressors after the Announcement of Bankruptcy: A Longitudinal Investigation with Special Emphasis on Job Insecurity*, in *Journal of Organizational Behavior*, vol. 21, 2000, 337-359.

<sup>54</sup> M. Flynn, M. Sargeant, and Y. Li, *Beeinträchtigen Restrukturierungen die Gesundheit und das Wohlbefinden älterer Arbeitnehmer? – Drei Möglichkeiten diesen Zusammenhang zu betrachten*, in Bundesanstalt für Arbeitsschutz und Arbeitsmedizin (ed.), *Arbeitnehmern in Restrukturierungen. Gesundheit und Kompetenz erhalten*, 2013.

generally have better financial resources, which determine – in the case of unemployment – how long a person can continue their life without restrictions, until a new job is found<sup>55</sup>. According to the “alternative role concept”<sup>56</sup>, members of certain groups of workers have socially accepted alternatives for the purposes of paid employment. For older workers this means entering early retirement.

Moreover, statistics of older workers can be affected by the “survivor factor”<sup>57</sup>. In other words, older workers with a low level of job insecurity or low job satisfaction try to leave the labour market early. The “survivors” then report on higher security and job satisfaction than those that had left early. Despite these limitations, exploratory studies provide important information and indications for further research.

The outcome of our case study, that the older employees suffered even less, suggests that the specifics of the industry and their lay-off protection laws or traditions, as well as the restructuring measures themselves have a major impact on the perception of job insecurity. Also the perception of easy access to the labour market seems to contribute to the amount of job insecurity among employees. When considering the current labour market statistics, it is obvious that particularly older workers continue to be a problematic group in the labour market<sup>58</sup>. This indicates a clear case of age discrimination, and the existence of reservations with respect to the performance of older workers<sup>59</sup>. Thereby the inter-individual variance in performance determines how workers with seniority can be healthy and productive at work. Depending on personal circumstances, lifestyle, forms of support, working conditions, health promotion and further qualification of employees, the differences in the performance of older workers are significant.

<sup>55</sup> M. Flynn, *Job insecurity and Older Workers*, in Dossier Adapt 8, 28 May 2010.

<sup>56</sup> C. Offe, K. Hinrichs, *Sozialökonomie des Arbeitsmarktes und die Lage „benachteiligter“ Gruppen von Arbeitnehmern*, in Projektgruppe Arbeitsmarktpolitik, C. Offe (eds.), *Opfer des Arbeitsmarktes – Zur Theorie der strukturierten Arbeitslosigkeit*, Luchterhand, Neuwied/Darmstadt, 1977, 3-61.

<sup>57</sup> A. Griffiths, A. Riffiths, A. Knight, and N. D. Mohd Mahudin, *Ageing, Work-Related Stress and Health. Reviewing the Evidence, Age Concern and Help the Age*, TAEN – The Age and Employment Network, London, 2009.

<sup>58</sup> Bundesagentur für Arbeit, *Der Arbeitsmarkt in Deutschland, Arbeitsmarktberichterstattung – November 2010. Ältere am Arbeitsmarkt*, 2010.

<sup>59</sup> M. Sargeant, *Lifelong Learning and Age Discrimination in Employment*, in *Education and the Law*, vol. 13, No 2, 2001, 141-154; A. Ebert, E. Kistler, T. Staudinger, *Rente mit 67 – Probleme am Arbeitsmarkt. Bundeszentrale für politische Bildung, APuZ 04-05/2007*, 2007.



This may also explain the inconsistency of results, in terms of the perception of stress. Thus, the thesis that older workers are vulnerable and more affected by restructuring cannot be confirmed. Overall, the results are not clear, but do not point in the direction that older workers are more exposed during restructuring. Restructuring clearly entails an increase of strain for workers. It is therefore important to look at the stress factors closely in order to provide adequate working conditions for all categories of workers. Little is known about cumulative effects during working life. However, working conditions that take into account ageing might prevent accumulation effects whereas possible, and promote workers' employability.

## **5. Concluding Remarks**

It cannot be argued that older workers are more vulnerable than others after restructuring. If one looks at the BiBB/BAuA survey conducted between 2011-2012, there was hardly any difference between the middle-aged workers and our focus group. Older workers – in this case regarded as those aged 50 and older – suffered even less, probably due to the specifics of the organisation, and the restructuring measures, both of which meant that their job security remained unscathed. Clearly, restructuring was related to more stress, exhaustion and fatigue for all workers and not for specific age groups in particular.

For further research, the conclusion is that the impact of special forms of restructuring have to be analysed more closely, and that more information is needed about the mediating and moderating aspects of the relationship between restructuring and ill health. From what we have seen in our analyses, age itself is not of particular importance. Demographic change is a challenge in terms of balancing the workforce structure (women, younger workers, migrants, older workers, those under precarious working conditions and so forth) rather than age only. Approaches to maintain their employability and the prosperity of the organisation in times of restructuring have to start with a risk analysis on the effect that restructuring might have on workers. Thereafter, specific measures have to be taken to mitigate potentially negative outcomes.



# Adapt International Network



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