



Collapsed financial institutions: Psychological distress and work related factors among surviving employees in the early aftermath



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Introduction

In October 2008 Iceland's three major banks all collapsed in the same week. All employees were laid off, but 80% were re-employed. The incident ended an economic euphoria in Iceland and marked the beginning of the country's most rapid and deepest economic crisis since sovereignty. The recession's most prominent consequences are seen in growing unemployment rate up from 1% to 9% in the first year of the recession.

The surviving employees of the banks have been through major organisational changes of transformation, downsizing and internal reorganisation. Organisational changes have been shown to be a source of stressors which can affect employees health and well being. The stressors can be attributed to increased physical or psychological demands during changes, increased job insecurity, lack of goal clarity or little involvement of employees in decision making.

Organisational changes do not affect employees equally. The degree of employee's presence in the changing process and the greater the extent of downsizing the greater the adverse effects. There are indications that organisational changes first affect psychological health before physical health.

Psychological distress has been seen to increase one month following an incidence evoking job insecurity. Psychological distress predicts later medically certified sick leave among employees and is therefore an important indicator of health risk during the first months following organisational change.

The main goal

The main purpose of this study is to observe the association of downsizing and redesign with employee's psychological distress.

We hypothesize that a) Surviving bank employees most at risk of psychological distress are those more involved or whose jobs are directly affected by the process of downsizing or redesign b) The association of psychological distress with downsizing and redesign is linked through psychosocial work environment factors and/or job insecurity c) Social support protects the risk of psychological distress.

Data and methods

The study design is cross-sectional. Data was collected by distributing a letter with an access code to a secure internet survey to all employees (N=2938) in all headquarters and branches of the three banks in Iceland that collapsed in the first week of October 2008. A total of 1880 employees returned a completed questionnaire (response rate 66%).

Data and methods cont.

The questionnaire in use is based on the short version of the General Nordic Questionnaire for psychological and social factors at work (QPS-Nordic 34+) with additional questions from the long version. One question comes from Copenhagen Psychosocial Questionnaire (COPSOQ), other questions come from questionnaires administered in previous surveys by the Icelandic Public Health Institute and the Administration of Occupational Safety and Health (AOSH).

Results

Prevalence of employees working in a downsized department and job redesign	N (n=1870)	%
Downsizing	963 (1885)	51.5
Redesign	964 (1885)	48.5
Redesign		
working hours reduced	78 (1870)	4.2
salary reduction	481 (1870)	25.7
transferred to another department	1081 (1870)	58.0
transferred new tasks within department	394 (1870)	21.1

Means scores for social variables	Range	Mean (SD)
Job strain	0-8	4.25 (1.81)
Job control	0-8	3.54 (1.70)
Leadership	0-8	4.95 (2.08)
Organisational climate	0-12	7.80 (2.32)
Job insecurity	0-6	2.40 (2.00)
Social support	0-6	3.20 (1.38)

Predictors of psychological distress	Model 1		Model 2		Model 3		Model 4		Model 5	
	β	SE								
Background variables										
Age	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Gender	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Education	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Marital status	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Work unit	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Downsizing	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Redesign	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Working hours reduced	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Salary reduction	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Transferred to another department	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Transferred new tasks within department	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Job strain	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Job control	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Leadership	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Organisational climate	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Job insecurity	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
Social support	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**
R ²	0.183	0.204	0.261	0.314	0.314	0.318				

The regression analysis reveals positive relationships of downsizing and two factors of redesign (salary reduction and transfer to another department) with psychological distress, while controlling for prior distress and socio-demographic variables (model 2). When intermediate variables pertaining to the psychosocial work environment (model 3) were included, the relationships of all three downsizing/redesign variables were reduced but are still significant. Three intermediate work environment variables in model 3 – job strain, job control and organizational climate – were related to psychological distress. In model 4 job insecurity is introduced and it shows strong association with psychological distress and a disruption of the relationship of downsizing with psychological distress, a reduction in the association of being transferred to another department, but no effect on the association of salary reduction and psychological distress. Introducing social support had little effect on other parameters in the model or on R².

Discussion and conclusion

This study shows that major organizational changes are associated with increased psychological distress. As hypothesized employees more involved in the changing process perceive more psychological distress. Downsizing and redesign are independently related to psychological distress and are partly linked through factors of psychosocial work environment. However in this study job insecurity is the strongest predictor of psychological distress and fully explains the increases of psychological distress for those more involved in downsizing. Further this study underlines the deteriorating association of job insecurity and mental well being as has been reported in the literature. Social support had minimal influences in this study.

Western societies are currently experiencing a deep economic recession and many organizations and businesses have been downsizing, restructuring, and merging. The results reported in this study provide important information for managers and public health professionals that could be used when preventing or containing health risks at workplaces.

This research shows that major changes in organizations do not affect all employees equally. These results suggest interventions should be prioritized to those more involved in the process of organizational changes. They also underscore the importance of taking precaution in every step when instituting organizational change and take actions towards limiting any uncertainty leading to job insecurity.

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