

Title:

The downsides of downsizing: Communication processes and information needs in the
aftermath of a workforce reduction strategy

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Abstract

Communication is a major factor in determining the efficacy of organizational change. In particular, practitioner oriented literature has recommended the extensive use of communication tools to mediate the negative effects of downsizing. This study explored the impact of downsizing on levels of uncertainty, coworker and management trust, and communicative effectiveness in a health care organization (HCO) downsizing over a two-year period from 660 staff to 350 staff. Self-report data were obtained from employees who were staying (survivors), and from those who were being laid off (victims), and from employees with and without managerial responsibilities. Results indicated that downsizing had a similar impact on the amount of trust that survivors and victims had for management. However, victims reported feeling lower levels of trust towards their colleagues compared to survivors. Contrary to expectations, survivors and victims reported similar perceptions of job and organizational uncertainty, and similar levels of information received about changes. Employees with no management responsibilities and middle managers both reported lower scores than senior managers on all aspects of information received. Implications for practice and the management of the communication process are discussed.

Reductions in the workforce are increasingly prevalent as organizations attempt to improve their efficiency and effectiveness. Several researchers have discussed the importance of providing employees with sufficient information during workforce reductions, yet there has been limited systematic and generalizable findings on the communication needs of different groups of employees affected by downsizing: the survivors and the victims of downsizing, and managers versus non-managers (Cameron, 1994; Johnson, Bernhagen, Miller & Allen, 1996). Instead, research has typically examined coping resources and stress appraisals (Armstrong-Stassen, 1994; Bennett, Martin, Bies & Brockner, 1995) and attitudinal outcomes (Allen, Freeman, Russell, Reizenstein & Rentz, 2001; Armstrong-Stassen, 1998; 2002; Luthans & Sommer, 1999) for specific employee groups.

The present study focused on extending our current knowledge of downsizing by examining the communication needs of survivors and victims of organizational downsizing, and of managers versus non-managers. We also examined how survivors and victims differ in their perceptions of uncertainty during the change, and in their levels of trust in supervisors and coworkers. In the organization under study, survivors and victims worked alongside each other for a period of time while the downsizing was implemented. The study was therefore a unique opportunity to compare the perceptions of both groups of employees during the downsizing process. Thus, the following review discusses downsizing in health care organizations, the role of communication during downsizing, and the impact of downsizing on different employee groups. Several hypotheses are proposed based on the review.

Downsizing

Reductions in workforces have been a major trend in both the public and private sectors over the past two decades. The general name given to this phenomenon is that of downsizing, defined as ‘an intentional reduction in the number of people in an organization. It is accomplished via a set of managerial actions, which may include the use of hiring

freezes, layoffs, and normal or induced attrition' (Freeman, 1999, p.1507). The intentional aspect of workforce reduction strategies is what commonly distinguishes downsizing from organic decline in a given industry or sector (McKinley, Zhao & Rust, 2000). The aim of downsizing has been to promote organizational efficiency, productivity and/or competitiveness (Cameron, 1994); to lower overheads and improved communication, (Nelson & Burke, 1998); and to increase innovativeness (Amabile & Conti, 1999).

Given these intentions, the popularity of downsizing is scarcely surprising. However, the research literature into its effects has generally been less than flattering, disclosing a gap between avowed intentions and actual results (Bennett, 1991; Tourish and Hargie, 2004). A review of 3628 companies in the 15 year period to 1994 found that their average return on assets (ROA) 'declined in the downsizing year and the first year subsequent to the downsizing. There was a slight improvement in year two, but it was not sufficient to restore the ROA to its pre-downsizing level' (Morris, Cascio & Young, 1999, p.82). Other accounts of the outcomes of downsizing have also been critical. In particular, Kabanoff, Palmer and Brown (2000) examined 300 downsizing events in US companies in the eight years up to 1996. They concluded that:

'...downsizing, on average, produces no improvement in firms' performance relative to their industry or their own prior performance, except for a short-lived gain in productivity; downsizing organizations that show no sustained improvement in financial performance are those in which there is a managerial focus only on cost-cutting, while those that show improvement have a managerial focus on increasing productivity, or reorganizing and restructuring' (p.24-25).

Downsizing in the public sector has also been rampant. The phenomenon is popular in many developed countries including the United States of America, the United Kingdom, Australia and New Zealand (Dunford, Bramble & Littler, 1998). For example, a 1995 survey of downsizing in Australia found that only one in six of the public sector organizations that responded had not downsized or delayed between 1993 and 1995 (Dunford et al., 1998). In particular, health care organizations (HCOs) are facing increasing pressures to downsize. For example, between 1994 and 1996, 85% of Canadian hospitals reduced their workforce by more than 10% (Rondeau & Wagar, 1998). Thirty-five percent of these job losses were achieved by forced staff layoffs. HCOs have been compelled to consider the size of their workforces because of a decreasing use of traditional hospital services (Mullaney, 1989). This decrease in service demand is particularly true for services within the mental health field, which have moved, on a global scale, from long-term hospitalization to programs of care in the community, with mixed results (Wistow et al., 1996).

Because HCOs have responded to a 'natural' imperative to downsize, occasioned by such processes as the movement towards care in the community rather than a preoccupation with profits, it could be argued that the downsides of downsizing often found in the private sector are less likely to apply in these contexts. However, negative effects have been widely reported in the literature on public hospital downsizing. A study of Canadian hospitals found that employees in hospitals that had downsized were more likely to report lower employee satisfaction and greater internal conflict (Wagar & Rondeau, 2000). Studies have also shown that downsizing can affect employees who are not directly targeted by the downsizing. For example, a case study of a 2509 bed medical rehabilitation hospital undergoing significant downsizing, revealed that commitment and satisfaction declined for departments spared the full effects of downsizing (Mullaney, 1989). Although these staff were formally unaffected by the process, they still vicariously felt its effects. The negative effects of downsizing are

also reflected in a reduction in patient care. For example, a study in 281 acute care hospitals revealed that morbidity and mortality rates were 200-400% higher in those hospitals that engaged in considerable downsizing (Murphy, 1994). Furthermore, cost savings dissipated within 18 months, with costs increasing to pre-downsizing levels in a relatively short period of time.

Communication during Downsizing

A vast amount of practitioner-oriented literature has advised managers on how best to manage downsizing (e.g., Cameron, 1994; Cameron, Freeman, & Mishra, 1991; Heenan, 1991; Feldman & Leana, 1994; Mishra & Mishra, 1994). Studies have investigated whether effective communication can mitigate some of these negative effects of downsizing for survivors. Murphy (1994) investigated the perceptions of downsizing held by 1363 nurses in Ontario hospitals. The study revealed that nurses' perceptions depended on how the downsizing process was managed and communicated. In particular, greater communication efforts and improved staff participation in downsizing activities (e.g., in helping determine the criteria for layoffs) had beneficial effects on absenteeism and professional efficacy. Thus, *active* communication seemed to be a key factor for improved employee attitudes and behaviors. Murphy (1994) also observed that *perceived fairness* of the downsizing process had a beneficial effect on levels of absenteeism and professional efficacy. Another study revealed that employees affected by downsizing in the context of asset divestiture, but who perceived greater procedural justice in the downsizing decisions, had higher levels of trust in the new ownership and a greater degree of post-divestiture commitment to the organization (Gopinath & Becker, 2000). Interestingly, this research also found that

‘communications from management (from a variety of sources, including e-mail, staff meetings, and personal interactions)... helped employees understand the

events relating to the divestiture (and) increased employees' perceptions of the procedural justice of the divestiture and layoffs. Further, the extent to which communications were seen by employees as helpful was predictive of future levels of trust and commitment' (p.74-75).

These results support other research that has revealed that when criteria or procedures applied in layoffs are perceived as fair, employees' levels of commitment and performance are less likely to decrease (e.g., Brockner, Weisenfeld & Martin, 1995; Kernan & Hanges, 2002; Spreitzer & Mishra, 2002). Keeping surviving workers informed of changes can reduce the negative consequences of downsizing (Feldman, 1989). In summary, the research suggests that providing frequent and timely communication, clear explanations for why downsizing is necessary, involving employees in decision-making, treating all employees with dignity, and using fair procedures are vital for maintaining survivors' organizational commitment and job performance (e.g., Mishra & Spreitzer, 1998; Niehoff, Moorman, Blakely & Fuller, 2001).

Despite the empirical support for the benefits of communication during downsizing, decision makers frequently assume that confidentiality during workforce reductions is important, fearing that announcements of imminent downsizing can cause people to be discouraged, disobedient or render them more likely to leave (Greenhalgh, 1983). However, the evidence in general supports the view that '...depriving continuing employees of information during [reductions in workforces] does not appear to alleviate their job fears; rather, in the absence of official communication, survivors frequently rely on rumors that depict a more hopeless picture than is justifiable and result in greater uncertainty' (Johnson, et al., 1996, p.144). Information dissemination is therefore critical to the reduction of unfounded rumors (DiFonzo & Bordia, 1998; DiFonzo, Bordia, & Rosnow, 1994). As summarized by one researcher: 'Communication – frequent, consistent and open – is one of

the most important variables in the implementation of a downsizing plan' (Kilpatrick, 1999, p.216). Communication is an important factor in influencing employee responses to downsizing, and studies that investigate the role of communication are especially pertinent. The present study addressed communication issues during downsizing in a healthcare organization (HCO).

Group Differences

The study examined employee perceptions of communication received and attitudes held by groups of employees that have been identified in previous research as reporting different reactions to downsizing (e.g. Armstrong-Stassen, 1998). Current research has examined the impact of downsizing on management-level survivors (Allen, Freeman, Reizenstein & Rentz, 1995; Campbell-Jamison, Worrall & Cooper, 2001) or on non-management survivors (Armstrong-Stassen, 1994; Brockner, 1990; Niehoff, et al., 2001), and on victims (Bennett, et al., 1995), but very few studies have examined the impact of downsizing on managers versus non-managers (Armstrong-Stassen, 1998; Luthans & Sommer, 1999) or on victims versus survivors (Armstrong-Stassen, 2002; Kivimaki, Vahtera, Pentti, Thomson, Griffiths & Cox, 2001). This study provided a rare opportunity to examine the perceptions of survivors and victims simultaneously. To provide a thorough analysis of group differences, we examined differences among employees at different organizational levels (employees without management or supervisory responsibilities, middle managers, senior managers), and between survivors and victims of downsizing.

Employees without managerial responsibilities are likely to experience an increased sense of threat about the consequences of organizational change than are employees with managerial responsibilities. For example, non-supervisors report higher levels of role ambiguity and role overload, higher perceptions of injustice, lower levels of satisfaction with their supervisory relationship, lower job satisfaction and workgroup trust, lower perceptions

of job security and commitment, and reduced use of effective coping strategies than supervisors (Armstrong-Stassen, 1997, 1998; Luthans & Sommer, 1999). In a longitudinal study, Nelson, Cooper and Jackson (1995) found that levels of job satisfaction, mental health and physical health declined more significantly for manual workers compared to white-collar and managerial staff. These findings suggest that non-supervisory employees are likely to react less favorably to change than supervisors, and are consistent with Kanter and colleagues' (1992) proposal that lower level employees have most to lose during organizational change. In contrast, managers and supervisors perceive higher levels of organizational support, including supervisory support and informational support, and more opportunity and access to information during change (Armstrong-Stassen, 1997; Luthans & Sommer, 1999). Luthans and Sommer (1999) argue that the principal cause of the different attitudes between managers and staff is that managers are more involved in the change process and therefore receive information more promptly and are provided with reasons for certain actions. Therefore, they have more time to adjust to new information, and are more likely to understand, accept and respond positively to changes than non-management staff. Managers, through their involvement, are also able to have more control over changes concerning their jobs (Armstrong-Stassen, 1998).

While communication strategies may benefit survivors, studies suggest that employees with managerial responsibilities are likely to have a different perception from non-management staff regarding the adequacy of information during downsizing (e.g., Shaughnessy, 1986). However, research has also revealed that middle managers may experience downsizing in ways similar to staff members (Armstrong-Stassen, 1998; Worrall, Campbell & Cooper, 2000). This would suggest that, at a finer level of distinction, middle managers are likely to hold different perceptions from those staff with senior management responsibilities. In line with the existing research, we proposed that:

H1: Staff without managerial responsibilities report that they receive less information on downsizing than middle managers, and middle managers report receiving less information than senior managers.

We also predicted differences between the survivors and victims of downsizing. As downsizing represents a major stressful transition for all employees, the literature has applied the stress coping framework to explain victims' and survivors' responses to downsizing with a focus on job insecurity and perceptions of fairness and justice (Armstrong-Stassen, 1994, 1997, 1998, 2002; Bennett, et al., 1995; Brockner, 1990; Burke, 2001; Mishra & Spreitzer, 1998; Spreitzer & Mishra, 2002; Shaw & Barrett-Power, 1997). In the only simultaneous examination of victims' and survivors' responses to downsizing, Armstrong-Stassen (2002) observed that there were no differences in levels of job security. However, during the downsizing, victims reported a reduction in levels of organizational trust and commitment whereas survivors did not. Kivimaki and colleagues (2001) observed that individuals who were more greatly affected by downsizing (as indicated by the percentage reduction in number of days worked during the downsizing period) had higher levels of job insecurity, conflicts, and physical demands, and lower levels of job control.

To date, there has been no empirical comparative test of the communication needs of both groups of employees during downsizing. It is likely that both groups of employees will benefit from information about how they will be affected by the downsizing. Victims need information about their responsibilities during their period of notice, and what redeployment or outplacement support they will receive, whereas survivors need information about how features of their jobs will be changing, and about new reporting structures (Doherty, Tyson & Viney, 1993; Thornhill & Saunders, 1997). Because the available research suggests that victims of downsizing are more negatively affected by the downsizing, we would expect that victims' informational needs might not be as fully satisfied as survivors' informational needs.

During the implementation of downsizing, communication efforts are more likely to focus upon future changes in the new organization, thereby increasing the chance that survivors will receive information about changes in their jobs. Thus, we predict that:

H2: Survivors report higher levels of information received about the changes than victims.

Consistent with Hypothesis 2 and the findings of Kivimaki and colleagues (2001), we also predicted that victims of downsizing would experience higher levels of uncertainty than survivors. Research has shown that feelings of uncertainty and insecurity are considerably heightened during organizational change due to the unpredictable nature of the work environment and reduction in available information (Kivimaki et al., 2001; Schweiger & Denisi, 1991). Uncertainty has profound negative implications for employee stress, job satisfaction and organizational commitment (Ashford, Lee & Bobko, 1989, Pollard, 2001; Matteson & Ivancevich, 1990). In contrast to Kivimaki and colleagues (2001), Armstrong-Stassen (2002) observed no differences in job security between survivors and victims. However, our predictions align with Kivimaki and colleagues' (2001) findings that survivors would experience lower levels of uncertainty. Survivors have certainty regarding their continued employment in the downsized organization, may be provided with formal information about how their jobs would be changing, and have more control over changes to their jobs (Kivimaki et al., 2001). In contrast, the victims of downsizing may not receive as much information about their responsibilities during the downsizing period, and would therefore experience greater uncertainty about their immediate work future. Thus:

H3: Victims report higher levels of uncertainty than survivors.

Job insecurity has implications for the degree of trust employees have in their psychological contract with the organization (Nicholson & Johns, 1985; see also Jaffe & Scott, 1998). Not surprisingly, downsizing has been observed to have a significant impact on

employees' perception of organizational trustworthiness (Armstrong-Stassen, 2002; Kets de Vries & Balazs, 1997; Nikandrou, Papalexandris & Bourantas, 2000). Armstrong-Stassen (2002) noted that victims had lower levels of organizational trust compared to survivors. Trust in management is particularly important for the success of change programs (Nikandrou et al., 2000). For example, survivors who perceive senior management as trustworthy are more attached to the organization than those who do not hold this perception (Spreitzer & Mishra, 2002). Other research has found that survivors can experience a reduction in trust and an increase in cynicism because their former psychological contract has been violated (Burke, 2001; Nikandrou, et al., 2000). However, there may be great variability in survivors' perceptions of trust, as trust perceptions depend on numerous factors (e.g., communication, tolerance to change, coworker relations; pace of change) leading to an evaluation of justice (Kernan & Hanges, 2002; Nikandrou et al., 2000). Based on the current research on trust, we predicted that victims, who are more negatively affected by downsizing than survivors, would report lower levels of trust in their managers than survivors. Thus:

H4: Survivors report higher levels of trust towards senior managers than victims.

The present study extends the current literature on employee trust during downsizing by examining coworker trust. Studies have indicated that employee relations are important in the formation of management trust (Nikandrou et al., 2000). Trust in coworkers may be important in and of itself during downsizing, as coworker trust is likely to be salient due to the changed working relationships and associated dynamics between survivors and victims. While victims know they will be leaving in the near future, they may have lowered levels of trust in colleagues who managed to survive the downsizing. We predicted that victims would report lower levels of trust in their colleagues, compared to survivors. Thus:

H5: Victims report lower levels of trust in their immediate colleagues than survivors.

Method

The Organizational Context

Data were collected from staff at a psychiatric hospital undergoing large-scale restructuring. Following a long period of discussion involving senior managers and representative working parties and committees, plans were developed to implement a new model for delivering psychiatric services in the hospital. The changes involved redefinition of jobs, a move to new on-site buildings that were designed and constructed to reflect the new model of service, and a reduction of the workforce from 660 to 350 staff. Plans for the implementation of the changes, including processes and procedures for employee selection, voluntary redundancy and redeployment, were widely distributed throughout the organization. Documents were available electronically and in hard copy, and information sessions were conducted to inform staff of the plans and processes involved.

After a performance review and a skills assessment process, employees were selected and assigned to redefined positions in a new organizational structure designed to support the new service model. Employees who were not offered positions as a result of this process became candidates for redundancy or redeployment programs and procedures. The new structure was progressively implemented over a 24-month period to coincide with the completion of the building program. Consequently, survivors and those downsized were destined to continue working together for a period of up to 18 months. As we have noted, previous studies into the impact of downsizing have investigated survivors only, usually in the aftermath of the departure of their colleagues. It was possible in this study to collect data from both groups simultaneously. In particular, their ongoing co-existence enabled us to explore whether the mood of survivors differed significantly from those who knew they were leaving. It may be that while the change was being implemented, all parties affected by this

drastic change were so traumatized that they responded to the new environment in a similar way whether they had a job in the new structure or not.

Sample and Procedures

This study was conducted as part of a large research project that investigated the organizational change process in the hospital over a three-year period. This particular study was based on a survey of all staff (N=660) administered six months after the announcement of staff redeployment decisions. By this time, the hospital had begun to operationalize the new service model, and some downsizing of staff had already taken place. Complete implementation of the model and the final stages of the downsizing process could only occur once new buildings were completed. Because the new service model and the downsizing process were implemented progressively, survivors were working alongside victims at the time this survey was conducted. The survey measured employee perceptions of communication effectiveness and levels of uncertainty.

A memorandum from the research team informing staff of the current survey and requesting their participation was circulated, in line with recommended best practice during communication audits (Tourish & Hargie, 2000). The following week, a confidential self-report questionnaire was distributed to all employees. The survey contained an information sheet that delineated the nature of the research investigation, and invited staff to participate. This letter stressed the confidential nature of the process, that only the research team would have access to completed materials, and that a short summary of the main findings would be provided to all staff. Such assurances were also given in meetings with trade union representatives, who were supportive of the research exercise and communicated this independently to their members. Respondents were asked to return the surveys in a reply-paid sealed envelope via internal mail directly to the research team, or via external mail. This process resulted in 149 responses to the survey. In order to increase the response rate, the

survey was issued a second time after an interval of approximately six weeks. A further 40 additional responses were received after the second distribution, making a total sample size of 189 (response rate = 28.6%). Before including all respondents in the same reporting pool for analysis, responses from both groups were compared to test for any systematic differences between the groups. Chi-square tests revealed no significant differences between the groups on demographic indicators (such as age, gender, work unit, education level and tenure), as well as management level and victim/survivor status. Consequently, all respondents were included in the analysis.

The sample included individuals who had a job in the new hospital (N = 109), and individuals who no longer had a job (N = 76; 4 participants did not specify their work status). The age range of these participants was between 20 and 67 years, with a mean age of 41. Of those who responded, 55% (N=104) were female and 43.4% (N=82) were male (3 participants did not specify their sex). Respondents represented staff from all areas of the organization, and all levels of management.

Measures

The questionnaire survey consisted of two sections designed to measure uncertainty and employee attitudes on the one hand, and a longer section designed to measure general communication processes on the other.

Uncertainty: 17 items were included in the survey to measure employee perceptions of uncertainty during change. The items, some of which were adapted from Schweiger and DeNisi (1991), asked respondents to indicate how uncertain they were regarding outcomes of the change for various work-related dimensions. The responses were made on a 5-point response scale (1=not uncertain at all to 5=very uncertain). These items were subjected to a principal components analysis with varimax rotation. Two factors (eigenvalues > 1) explained 56% of the variance in the item set. Three items did not load on a single factor and

were deleted. A two-factor solution for the remaining 14 items (eigenvalues > 1, principal axis, varimax rotation) explained 51.3% of the variance. The first factor contained items regarding respondents' uncertainty in relation to job changes, the possibility of a promotion, and the need to learn new job skills. We called this factor 'job uncertainty' (9 items, Cronbach's alpha = .90). The second factor was named 'organizational uncertainty' and contained items such as uncertainty regarding reasons for the change, the necessity of the change, and whether the restructured organization would meet the future needs of clients (5 items, alpha = .82). Items and their respective factor loadings are included in Appendix A. Mean scores on these scales were calculated for each respondent and were used to indicate levels of uncertainty regarding their jobs and the organization.

Information received: The communication section of the survey was adapted from a Communication Audit survey developed by the International Communication Association during the 1970s (Goldhaber & Rogers, 1979), and widely regarded as a breakthrough instrument in the field of organizational communication research (Clampitt, 2000). The survey was subsequently redeveloped and applied to the healthcare field by Hargie and Tourish (2000), who reported high internal reliability scores for scales included in the survey. The instrument consists of 76 items, and includes items to measure information received, sources from which information is received, channels through which information is received, information sent, and the quality of working relationships.

In the present study, information received was measured using the items that assessed the amount of information currently received by respondents on important issues facing the organization. The 16 items used to capture these perceptions were subjected to a principal components analysis with varimax rotation. Two factors (eigenvalues > 1) explained 59.2% of the variance in the item set. Four items loaded on both factors and were deleted. A two-factor solution for the remaining 12 items (eigenvalues > 1, principal axis, varimax rotation)

explained 57% of the variance. One factor contained 6 items that reflected perceptions about communication related to the respondent's job (e.g., pay, benefits, and conditions; what is expected of me in my job; how my job contributes toward the organization). The second factor contained 6 items that asked about information received on organizational issues such as important new service developments, goals of the organization, and major management decisions. Constituent items on each factor were averaged to produce a measure of information received about jobs ($\alpha = .84$) and information received about the organization ($\alpha = .92$). (See Appendix A). Again, the responses were made on a 5-point response scale measuring perceptions of the volume of information received (1=very little, to 5=very great).

Trust: The adapted Communication Audit survey (Hargie & Tourish, 2000) includes a number of items used to capture respondent perceptions regarding levels of trust in the organization. Respondents were asked to indicate their level of trust in immediate colleagues, colleagues from other areas, line managers, and senior managers on a 5-point scale (1 = very little trust to 5 = always trust).

Results

The descriptive statistics and intercorrelations for the study variables combined for all are presented in Table 1. Other than tenure, demographic variables were not correlated with any of the dependent measures. Tenure was positively correlated with job uncertainty ($r = .15, p < .05$) and negatively correlated with trust in middle managers ($r = -.22, p < .01$) and senior managers ($r = -.17, p < .05$). Longer-tenure was associated with uncertainty about jobs and lower levels of trust in managers. Patterns of correlations were generally consistent across the sample. For examples higher levels of information received about job and organizational changes were associated with lower levels of uncertainty and higher levels of trust in middle and senior managers.

Insert Table 1 about here

Multiple analysis of variance (MANOVA), with job status (survivor versus victim) and hierarchical level as the between subjects factors were used to identify significant differences between respondents who had been designated redundant and those that had not, and between respondents with managerial responsibility and those without. MANOVA tests for mean differences among groups across several dependent variables simultaneously. A weighted linear composite of dependent variables (or vector of means) is used to discriminate between groups and takes account of the potential intercorrelations between dependent variables in the analysis. Although multiple regression analysis allows for the examination of moderated effects by categorical variables (in our case, by job status and hierarchical level: Aiken & West, 1991), we chose to use MANOVA as previous downsizing research has typically used this statistical method to assess group differences (see Armstrong-Stassen, 1998, 2002; Luthans & Sommer, 1999). Analysis of variance is simply a special case of multiple regression where the main effects and interactions are dummy coded (Tabachnick & Fidell, 1996).

H1: Staff without managerial responsibilities receive less information than middle managers, and middle managers receive less information than senior managers.

H2: Survivors receive higher levels of information than victims.

To test Hypotheses 1 and 2, a two-way MANOVA was performed on the *information received* measures by management level (i.e. respondents without managerial responsibilities, middle managers, and senior managers) and job status (survivors versus victims). Using Pillai's trace criterion, which is more tolerant of minor violations of assumptions, a significant main effect was found for management level (Pillai's trace = .14, $F = 6.71$, $df = 4, 354$, $p < .001$, $\eta^2 = .07$), but not for job status (Pillai's trace = .006, $F = .52$, $df = 2, 176$, ns) or their interaction (Pillai's trace = .007, $F = .29$, $df = 4, 354$, ns). Post hoc tests revealed that

employees with no management responsibilities and middle managers both reported lower scores than senior managers on information received about organizational changes and job changes. The tests also revealed that employees with no management responsibilities reported similar scores to middle managers on both types of information received (see Table 2 for cell means and univariate F statistics).

Insert Table 2 about here

These results provide partial support for Hypothesis one (H1). We found that staff without management responsibilities reported receiving less information than senior managers, but not less information than middle managers reported receiving. Middle managers also reported receiving significantly less information than senior managers. Hypothesis 2 was not supported. Victims and survivors reported receiving a similar amount of information on job and organizational issues.

H3: Victims report higher levels of uncertainty than survivors.

To test Hypothesis 3, organizational and job uncertainty measures were analyzed as a set using a one-way MANOVA comparing survivors and victims. The main effect for job status (survivors versus victims) was not significant (Pillai's trace = .03, $F = 2.24$, $df = 2,170$, ns). Tests at the univariate level revealed a significant difference for job status on the organizational uncertainty measure, but not on the job uncertainty measure (see Table 3 for cell means and univariate F statistics). This result suggests that victims reported higher levels of uncertainty regarding changes at the organization level than survivors. However, given that the multivariate main effect was not significant, this result should be interpreted with caution. These results provide minimal support for Hypothesis 3 and suggest that both survivors and victims report similar levels of uncertainty about job and organizational changes.

Insert Table 3 about here

H4: Survivors report higher levels of trust towards managers than victims.

H5: Victims report lower levels of trust in their immediate colleagues than survivors.

A series of ANOVA tests were conducted for trust in supervisors (line managers and senior managers) and colleagues (immediate colleagues and colleagues from other areas) to test for the impact of job status (survivors versus victims) (see Table 4). There was a significant effect of job status on trust in immediate work colleagues ($F = 3.84, p = .05$) and colleagues from other units ($F = 4.80, p < .05$). Survivors reported higher levels of trust in their immediate work colleagues and colleagues in other units than victims. Both groups reported similar levels of trust in both middle and senior managers. Mean scores are around the midpoint of the scale for line managers and slightly lower than the midpoint of the scale for senior managers.

Insert Table 4 about here

Discussion

The present study extended the current literature on downsizing by examining the effect of downsizing on different groups of employees. We tested differences in perceptions between employees with and without managerial responsibilities, and between employees who were survivors or victims of the downsizing process.

In partial support of Hypothesis 1, senior managers reported receiving higher levels of information about organizational and job changes than middle managers and non-management staff. Senior managers at the apex of the organizational pyramid are more likely to have greater access to information (Armstrong-Stassen, 1997; Luthans & Sommer, 1999). Other research into communication processes in HCOs has found high self reported information deficits on the part of senior managers during periods of change (Hargie & Tourish, 1996). In other words, change in the public sector is often driven by a political agenda outside the control of senior managers. Frequently, senior managers know much less about what is going on than their subordinates assume.

Nevertheless, given their position in the organization, it is not surprising that senior managers reported access to higher levels of information on crucial change issues compared to other tiers of the organization. While we expected that middle managers would report higher levels of information received than non-managerial employees, this particular group did not fare well in the information exchange process. Although middle managers have managerial responsibilities, our results revealed that ratings of information received by middle managers on issues relevant to job and organizational changes were equivalent to that of non-management staff. More importantly, in this case, the data suggested that middle managers (critical for the effectiveness of a change program on this scale) shared in the feeling of rank and file employees that they were inadequately informed about what was going on. In line with research into communication processes during downsizing, it could be expected that middle managers' role as information conduits during this process is crucial. Our data showed that in this organization they felt under-informed. It is therefore questionable whether they could perform this role effectively. These data supports the assertion that, in the face of the most dramatic organizational change, a deficit in levels of information received may persist among middle managers as well as lower levels of staff, even when senior management has made a major effort (as they did in this case) to explain it.

Contrary to hypothesis 2, we found that both survivors and victims reported receiving similar amounts of information regarding the changes in the organization. We expected that those employees who survived the downsizing would reflect more perceptions regarding the amount of information available regarding job and organizational changes. This was not the case. Survivors reported receiving similar amounts of information regarding the change as victims. Our findings in this case highlight the enormous communication challenges that flow in the wake of downsizing. In particular, it would appear difficult to meet the information needs of both survivors and victims, given that the general anxiety unleashed by the process

creates additional information needs. It may be beyond the capacity of most management teams to meet them. Additionally, when survivors and victims continue working together for an ongoing period, it is possible that survivors more readily identify with and pay attention to the needs of those who are leaving rather than accessing information related to their future employment in the organization.

Contrary to hypothesis 3, we found that both survivors and victims reported equivalent levels of uncertainty regarding changes to their jobs and to the organization. In other words, whether respondents have a job or not in the new organization, they report similar levels of uncertainty. Consistent with our hypothesis, there were minor differences in the perceptions of survivors versus victims regarding changes in the wider organization. However, this result should be interpreted with caution as the multivariate effect for job status was not significant. Further research could examine whether the degree of uncertainty varies over time for various groups of employees during a major change process or indeed whether different foci of uncertainty become salient at various stages of organizational change. That survivors feel traumatized by the process of downsizing has been widely reported in the literature (e.g., Littler, Dunford, Bramble, & Hale, 1997; Brockner, 1988). However, it could still be expected that victims facing either unemployment or the task of adjusting to a new organization would feel more uncertain than survivors. That this proved not to be the case suggests that the feelings of uncertainty inevitably unleashed by the change outlasts the selection process for lay-offs, and even the period whereby duties are redefined, people are allocated new jobs, and the management structure assumes new forms. Downsizing in this case was associated with wholesale reorganization – not an uncommon phenomenon. The result appears to be prolonged levels of uncertainty for all parties affected.

Another issue in relation to hypothesis 2 and 3 may also be noted here. Although we found that both main groups wanted increased information across a similar range of issue,

and that both had high and similar levels of uncertainty, our data does not address the issue of precisely what kind of additional information would ease their uncertainty and satisfy their need for additional information. In other words, we should be alert to the possibility that merely providing additional information without further exploring the precise message content needs of the diverse groups involved may not resolve the underlying problems. This is clearly an issue that requires additional research.

Contrary to hypothesis 4, both groups reported similar levels of trust towards managers with mean scores at the midpoint of the scale for middle managers and below the midpoint of the scale for senior managers. Interestingly, the scores obtained for trust towards senior managers in this organization are much lower than those obtained for senior managers in other HCOs undergoing significant change (e.g., Tourish & Hargie, 1998). These data underline the damaging effects of downsizing on trust. In this case, downsizing could be seen as the rational response to changing patterns of health care delivery, and therefore unavoidable. However, it still damaged levels of trust in managers responsible for initiating and implementing the change. Even those who survived the process had low levels of trust in senior managers.

In line with hypothesis 5, we found that survivors reported higher levels of trust in immediate colleagues and colleagues in other work areas than those about to leave, although, these groups of staff attracted higher trust ratings by both survivors and victims than those given to senior managers. One main conclusion emerges from this part of the analysis. Victims may experience a deteriorating sense of relational affiliation with their immediate colleagues compared to survivors. Despite the consequences for survivors listed above, including high levels of uncertainty, the fact that they retained jobs seemed to ease the burden on interpersonal relationships. Victims of downsizing felt less trusting towards those they worked with – i.e. downsizing may damage relations not just between employees and

managers, but between different groups of employees as well. Downsizing staff seems to downsize trust. Given the importance of trust for organizational effectiveness (Sako, 1998), this is additional evidence of the costs associated with downsizing, and this needs to be factored into decision-making and change management processes.

Overall, the data points to a number of potentially negative consequences from the downsizing process. It appears that uncertainty continues for both survivors and those downsized. Uncertainty does not ease with the announcement of who has lost their jobs, but endures for some considerable time, as staff transfer their anxiety from the immediate issue of termination to that of reorganization, and their place within it.

Staff within this downsized organization reported similar perceptions regarding the amount of information they receive, irrespective of whether they were among those downsized or not. This finding accompanies that of increased uncertainty. Faced with uncertainty people articulate a need for more information. The problem may be that if downsizing unleashes enough uncertainty, no amount of information being provided will feel like enough for employees. It may thus be that managers in downsized organizations will, for a prolonged period, be perceived as more secretive about important issues than they are. This suggests that their attempts to improve the communication climate are less likely to find a receptive context. In consequence, the general management task becomes more difficult.

Victims within downsized organizations may exhibit low levels of trust towards managers as well as to survivors. In addition, surviving staff may not trust senior managers. This poses considerable risks. Previous research has tended to look at the impact of downsizing on relationships between managers and staff, whereas this research suggests that working relationships at all levels can be damaged by downsizing. Moreover, if downsizing becomes protracted (as was the case here) there is clearly the potential for the negative attitudes of those leaving to become somewhat contagious.

Limitations, implications for practice and conclusion

The main limitation of our study is that it was limited to one organization. The communication consequences of downsizing have been little researched, in comparison to other issues thrown up by the process. Communication before, during and after downsizing needs to be studied in small, medium and large organizations, in both the public and private sectors. Furthermore, our data provides a cross-sectional picture of the communication climate within the HCO concerned at a particular point in the downsizing cycle. Longitudinal studies would further clarify the precise impact of downsizing on communication and its longer-term impact. Nevertheless, the data offers many of the useful pointers commonly found in case study research.

In terms of the main implications for practice, the data from this study further illuminates the problems caused by downsizing. In the HCO studied here, downsizing was a largely unavoidable response to international shifts in health care delivery for mental patients. Large-scale mental health hospitals are increasingly a thing of the past (Wistow et al., 1996). Yet even when downsizing is the rational response to such imperatives, the experience is traumatic, stressful to interpersonal relationships, and harmful to attempts to ensure that all employees feel they are receiving an adequate amount of information on key business issues. Given that we found significantly lower levels of trust from those about to depart the organization, including low levels of trust towards their immediate colleagues, one practical implication may also be that when downsizing is unavoidable it should be implemented as quickly as possible, thereby reducing the possibility of survivors becoming contaminated by negative feelings from those downsized. In particular, giving people many months to brood over their impending departure does not appear to be a wise strategic choice.

Other research has found that job instability erodes social capital within firms (Leana & Buren, 2000). Our research suggests that such erosion may be endemic to downsizing,

whatever the organizational context. As Pfeffer (1998, p174) put it: ‘the evidence indicates that downsizing is guaranteed to accomplish only one thing – it makes organizations smaller.’

This study has implications for how we conceptualize the role of communication in management. Communication is often viewed largely as a mediating device between management intentions (whatever the intention happens to be) on the one hand and their execution on the other. Within this instrumentalist perspective, the moral properties of downsizing, and its psychological consequences, are largely irrelevant. The emphasis is on how particular ends will be reached, while the ends themselves are unquestioned and assumed to be value free. An alternative perspective is that the dialogic properties of communication systems have a transformative impact on management intentions and fundamental notions of what it means to do business (Deetz, 1995). Here, communication is regarded as an integral part of the entire organizational operation – it both reflects and shapes the way business is done.

Thus, managers cannot assume that the good intentions that may underlie particular episodes of downsizing will be enough to ensure widespread understanding, support or compliance. Moreover, suspicion, misunderstanding and hostility may be inevitable, whatever the context of downsizing. Where downsizing is an unavoidable part of a process designed to deliver a wider social benefit, an enormous attention to communication processes is still required, in order to minimize the harmful affective consequences found in this study. It may be doubted whether downsizing can ever be communicated in such a way that the negative affective effects discussed here can be avoided.

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Table 1: Descriptive statistics and correlations between variables for total sample (N=189)

	Mean	sd	1	2	3	4	5	6	7	8
1 Information received about organisation changes	2.54	.94	(.92)							
2 Information received about job changes	2.60	.82	.70**	(.84)						
3 Job uncertainty	2.76	1.02	-.43**	-.30**	(.90)					
4 Organizational uncertainty	3.16	.99	-.50**	-.37**	.53**	(.82)				
5 Trust in immediate work colleagues	3.76	.94	.26**	.31**	-.18*	-.23**	-			
6 Trust in other colleagues	3.27	.91	.27**	.26**	-.18*	-.17*	.68**	-		
7 Trust in middle managers	3.04	1.16	.47**	.40**	-.28**	-.41**	.49**	.42**	-	
8 Trust in senior managers	2.64	1.18	.51**	.40**	-.33**	-.46**	.40**	.40**	.73**	-

Note: Coefficient alphas are included on the diagonal for scale scores. Trust items are single item measures. * $p < .05$, ** $p < .01$

Table 2: Cell means for information received measures by management level and job status (survivors versus victims) and univariate F statistics for management level

Management level [#]	Cell means						Univariate F (by management level)		
	Survivors			Victims			df	F	η^2
Information received about organization changes	1	2	3	1	2	3	2,177	14.17**	.14
Information received about job changes	2.55	2.44	4.14	2.52	2.19	3.96	2,177	5.60*	.06

Note: [#] Management level: 1 = no management responsibilities, 2 = middle managers, 3 = senior managers. Cell means can take values from 1 to 5, and 5 indicates high levels of information received. * $p < .01$, ** $p < .001$

Table 3: Cell means and univariate F statistics by job status for uncertainty measures

	Cell means		df	F statistics	
	Survivors	Victims		F	η^2
Job uncertainty	2.69	2.82	1,171	.65	.004
Organizational uncertainty	3.04	3.36	1,171	4.35*	.025

Note: Cell means can take values from 1 to 5, and 5 indicates high levels of uncertainty. * $p < .05$

Table 4: Cell means and univariate F statistics for trust items by job status

Trust items	Cell Means		Overall means	Analysis by job status	
	Survivors	Victims	Mean	F Statistics	df
Immediate colleagues	3.86	3.60	3.74	3.84*	1,183
Colleagues in other units	3.39	3.10	3.24	4.80*	1,183
Line managers	3.04	2.99	3.02	.08	1,183
Senior managers	2.71	2.56	2.64	.70	1,183

Note: Cell means can take values from 1 to 5, and 5 indicates high levels of trust. * $p < .05$.

Appendix A: Factor analyses

Uncertainty: Respondents were asked to indicate the extent to which they were uncertain about each of the following items

Organizational uncertainty:	Factor 1	Factor 2
The reasons for the change		.72
The necessity/benefits of changing		.93
The unions' stance regarding the change		.45
The ability of the restructured facility to meet future needs of clients		.64
Whether future changes to the organization's structure will be necessary as demands for services change		.50
Job uncertainty:		
Whether you will have to relocate to another section of the service	.65	
The level of influence you will have over changes in your job	.51	
The possibility of working with a new supervisor/team	.64	
Whether you will get to work with people you have become friends with	.76	
The possibility of a promotion	.51	
Whether you will have to learn new job skills	.74	
The extent to which your job role/tasks will change	.77	
Whether your pay/salary will change	.66	
Whether your working conditions will change	.77	

Information received: For each item listed below, respondents were asked to indicate the amount of information they were receiving.

Information received about their job:	Factor 1	Factor 2
My performance in my job		.74
What is expected of me in my job		.76
Pay, benefits and conditions		.46
Performance management systems		.51
How problems I report in my job are dealt with	.40	.61
How decisions that affect my job are reached	.44	.60
Information received about the organisation:		
Specific problems faced by the organisation	.68	
Major management decisions	.79	
Important new service developments	.86	
Improvements in services and how services are delivered	.80	
The goals of the organisation	.70	
The total range of services offered by my organization	.65	

Note: Only loadings > .4 are listed.