

Recessionary changes at work and employee well-being: the protective roles of national- and workplace institutions

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Recessionary changes at work and employee well-being: The protective roles of national- and workplace-level institutions

Abstract

The recession that followed the 2008 financial crisis was characterised by major changes to employees' experiences at work. This study investigates the potential adverse well-being effects of two of such changes: perceived organisational distress and job deterioration. The study also examines the extent to which two national-level institutions (employment protection legislation and collective bargaining coverage) and corresponding institutions at the workplace level (employment contract and union membership) may act as buffers against these effects. Using data from 21 European countries, we show that recessionary changes are associated with reduced psychological well-being and greater levels of work–nonwork interference among workers. Our analysis also supports the proposition that different national- and workplace-level institutions may act as buffers against adverse well-being outcomes.

Keywords

Recession, perceived organisational distress, job deterioration, institutions, well-being.

Recessionary changes, well-being, and institutions

The 2008 financial crisis placed organisations under stress. In response to a decline in profitability and growth, many organisations were forced to adjust working arrangements, reduce employment or working hours, and rely on more flexible or low-cost employment practices (Shimer, 2010). Consequently, employees faced greater levels of job insecurity (Iverson and Zatzick, 2011), higher probability of job loss or spells of unemployment (Datta et al., 2010), and deteriorating employment conditions (Wood and Ogbonnaya, 2018). In the year immediately following the onset of the crisis, employment rates in the European Union (EU) fell by approximately 4.3 million persons. Unemployment rates for persons aged less than 25 years reached almost 20 percent by 2009, and across the EU, there was a noticeable decline in the labour market participation of different groups of workers (Heyes 2011).

A considerable amount of research has examined the macroeconomic (e.g., Lane and Milesi-Ferretti, 2010) and organisational consequences (e.g., Datta et al., 2010) of the recession that followed this crisis. To date, however, less attention has been given to employees' experiences and responses to the recession (Burgard and Kalousova, 2015). Limited research on how workers fared during this period presents a significant gap in our understanding of recessionary effects on employee well-being. This study contributes to existing knowledge by examining employees' perceptions of recessionary changes at work and the consequences on their well-being. We use the term 'perceived recessionary changes' in reference to employees' perceptions of adverse employment events, such as organisational distress (e.g., financial shocks and workforce reduction) and job deterioration (e.g., reduction in pay and job insecurity), which are directly or indirectly associated with economic recession.

Central to our approach is to link the adverse well-being effects of recessionary changes to important institutional factors designed to buffer against such effects (Applebaum, 2011). These include national institutions aimed at protecting workers from unemployment (e.g., employment protection laws) and reduced employment standards (e.g., collective bargaining),

Recessionary changes, well-being, and institutions

as well as workplace-level arrangements that provide workers with job security (e.g., the quality of employment contract) and protect them against potential job loss and reduced job quality (e.g., union representation). The focus of this study is particularly useful at this time when governments have questioned the efficacy of existing institutional arrangements (Carr and Chung, 2014), when policy-makers are paying closer attention to health and well-being as indicators of national and societal success (Green et al., 2016), and unions and collective bargaining have been in decline (Valizade et al., 2016).

We investigate our hypotheses using data from the 2010 European Social Survey (ESS), matched to country-level data from the Organisation for Economic Co-operation and Development's (OECD) measures of national employment institutions. The timing of the data collection allows us to operationalize our research within the context of the 2008 recession.

Recessionary changes and employee well-being

Economic recessions are typically associated with higher inflation, intensified product market competition, and economic distress for organisations (Datta et al., 2010). Employers are often forced to re-evaluate their business and employment strategies by making changes to employment benefits and wages, restructuring employees' jobs, and adjusting the quality of their work responsibilities (Curl and Kearns, 2015). While such actions may stabilise organisational operations, they expose workers to greater levels of employment insecurity, reductions in real employment benefits, and constrained opportunities for career development (Felstead, et al., 2012; Warren 2015); all of which contribute to poor well-being (Green et al., 2016; Wood and Ogbonnaya, 2018).

A number of studies have examined how factors associated with economic recession might affect different groups of workers. In a study of financial sector workers, for example, Snorradóttir et al. (2015) showed workers who remained in their company following a downsizing event experienced a greater reduction in psychological well-being than those who

Recessionary changes, well-being, and institutions

were made redundant. Giorgi, Shoss and Leon-Perez's (2015) study of private and public sector organisations found evidence that recessionary events were associated with higher work-related stress and job dissatisfaction, particularly among workers who reported strong fears about the potential destructive effects of economic crisis. Similarly, Curl and Kearns (2015) examined the consequences of recessionary events among individuals from fifteen deprived communities. Curl and Kearns (2015) reported that individuals who were affected by recessionary events fared worse than their counterparts who were not affected. The main reasons for this, according to Curl and Kearns (2015), were limited household income and reduced levels of expenditure and social support.

Extending this work, we concentrate on employees' direct reactions to perceived employment changes associated with recession. We distinguish between two aspects of perceived recessionary changes at work: the organisational context (perceived organisational distress: POD) and the job context (job deterioration: JD). The concept of organisational distress captures the organisation-level consequence of adverse external shocks likely to occur during recessionary periods (Giorgi et al., 2015). Organisational distress may be characterized by a higher degree of financial difficulty and a significant reduction in an organisation's workforce. In contrast, the notion of job deterioration measures the extent to which important job characteristics that shape job quality have deteriorated over time, irrespective of the institutional or organisational context in which people work (Green et al., 2013). Job deterioration may be characterized by pay cuts, as well as reductions in interesting work, working hours, and job security. The distinction between organisational and job-specific aspects of recessionary changes is crucial for a number of reasons. First, it shapes our understanding of how a broader organisation-level phenomena might induce a different pattern of outcomes compared to employees' direct experiences at the job level (Jiang, Probst and Sinclair, 2013). Second, organisational and job-specific sources of employment insecurity are

likely to have varying effects on different aspects of employee well-being (Sverke and Hellgren, 2002). Third, labour market institutions are expected to influence organisational and job-specific sources of employment insecurity in different ways (Carr and Chung, 2014).

In the present study, we aim to understand how employees' perceptions of POD and JD might affect two well-being outcomes: psychological well-being and work–nonwork interference. We follow prior research (e.g., Wood and Michaelides, 2016) that makes a clear distinction between the likely consequences of work-related stressors on both individuals' perceptions of life more generally, and their perceptions about the interface between work and family. We define psychological well-being as individuals' subjective assessments of different emotional states in relation to the quality of their lives (Budd and Spencer, 2015). Psychological well-being may be measured by positive emotions (e.g., cheerfulness and enthusiasm), and the relative absence of negative emotions (e.g., lack of anxiety and feeling calm). Work–nonwork interference is defined in terms of the spill-over of affective, cognitive or physical states from work into other spheres of life, resulting in competing demands on an individual's finite time and resources (Wood and Michaelides, 2016). Work–nonwork interference is preferred to the term 'work-family conflict' as individuals without family responsibilities may also experience some form of interference in the work and nonwork domains of life, and this could generate stresses or conflict for time and resources (Wood, Daniels, and Ogbonnaya, 2018).

A number of complementary theoretical perspectives provide the rationale for linking POD and JD to both psychological well-being and work–nonwork interference. Psychological contract theory, for example, proposes that employees and employers are able to develop a set of assumed mutual obligations over time. In periods of recession, when the employer is likely to take actions such as pay cuts and reductions in employees' working hours, employees may perceive the employer to have reneged on the assumed mutual obligations (Wood and

Ogbonnaya, 2018). In a distinct but similar vein, uncertainty management theory suggests that recessionary events create greater levels of insecurity that heightens perceptions injustice or unfairness among employees (van den Bos and Lind, 2002). Similarly, job stress theory (Shoss, 2017) has been deployed to explain the possible adverse effects of unfavourable work conditions on employee well-being. Accordingly, unfavourable work conditions are organisational stressors that induce feelings of employment pressure and uncertainty. They also create anxieties about the potential loss of important aspects of the job (Sverke and Hellgren, 2002) and instil a sense of powerlessness among workers over their work situation (Shoss, 2017). Our first hypothesis is therefore derived from these perspectives: we expect recessionary events that adversely affect employees' work conditions will negatively influence their health and well-being.

Hypothesis 1: Employees' experience of POD and JD is negatively associated with their psychological well-being, and positively associated with work–nonwork interference.

Moderating roles of national- and workplace-level institutions

To understand the circumstances under which perceived recessionary changes might influence employee well-being, we investigate the moderating roles of important institutional factors. Here, institutions refer to regulations, procedures, frameworks, or arrangements that shape both socio-economic and employment behaviours (Donnellan, Hanrahan and Hennessy, 2012). When an economy, and indeed an organisation, is hit by a recession, well-functioning institutions allow people to deal with the likely adverse consequences (Groot et al., 2011). Such institutions could, for example, provide employees (either explicitly or implicitly) with a sense of work-related stability, safeguard their experience of job security, and consequently improve their well-being (Burgard and Kalousova, 2015; Reeves et al., 2014). In what follows, we consider how institutional factors might moderate the effects of POD and JD on well-being.

Recessionary changes, well-being, and institutions

We concentrate on two national-level institutions (employment protection legislation and collective bargaining coverage), and corresponding workplace-level institutions (employment contract and union membership).

Employment protection legislations specify procedures that employers need to follow when making decisions about working arrangements, hiring, firing or redundancy (Griffith and Macartney, 2014). These legislations exist to protect workers from unfair treatment by the employer (Cingano et al., 2010). However, research evidence regarding the benefits of such laws is mixed. For example, high firing costs associated with employment protection may increase employers' reluctance to hire new employees or invest in human capital enhancing initiatives (Groot et al., 2011). Strict employment protection laws may also increase rates (and duration) of unemployment and undermine organizational flexibility. In contrast, evidence to suggests that employment protection policies may act as a buffer against adverse health and well-being outcomes among workers experiencing difficult times at work (Burgard and Kalousova, 2015). During periods of economic and labour market instability, for example, strict employment protection laws at the national level safeguard workers' employment rights, increase their bargaining power over threats to job losses, and make retrenchment activity more difficult for the employer (Heyes, 2011). Workers may be shielded from feelings of powerlessness, work conflict, and occupational changes that disrupt relationship networks in the workplace (Carr and Chung, 2014). We might expect therefore that the likely negative effects of unfavourable employment (or recessionary) conditions on employee well-being will be weaker where employment protection laws offer more protection to workers.

Hypothesis 2: The negative impact of POD and JD on well-being is weaker for employees in countries characterised by higher employment protection than employees in countries characterised by lower employment protection.

Recessionary changes, well-being, and institutions

Unions and collective bargaining arrangements represent a critical means through which workers seek to protect themselves from the adverse effects of economic and labour market shocks (Rubery and Rafferty, 2013). Unions serve to protect employees' interests by deploying a range of strategies directed at influencing employment standards, representing members in workplace decision-making, and engaging in collective bargaining with employers (Bryson et al., 2013). By providing a collective voice for employees during workplace negotiations, union representation can offset the power imbalance in employment relationships, thereby increasing employees' sense of empowerment (Furåker and Bengtsson, 2013). At the national level, for instance, a high collective bargaining coverage strengthens workers' capacity to influence the terms of employment and improve the conditions under which they work. Collective bargaining also creates a context in which workers can negotiate for more favourable job-related benefits (Flavin, Pacek and Radcliff, 2010).

There is some support for the proposition that union-based employee representation can engender a sense of employment security among workers during recessionary periods (Bryson and Freeman, 2013; Campos Lima and Artiles, 2011). Wood and Ogbonnaya (2018), for example, argued that employers are more inclined to launch austerity plans in the face of economic crises. However, faced with union opposition, employers may avoid imposing such plans on their workforce (Campos Lima and Artiles, 2011), and instead consult with unions to reach more favourable deals for workers (Cascio, 2005). It follows therefore that workers in a national context where collective bargaining agreements are more widely spread can be confident that their interests are adequately represented, and the impact of recessionary events on their well-being will be weaker.

Hypothesis 3: The negative impact of POD and JD on well-being is weaker for employees in countries characterised by higher collective bargaining

than employees in countries characterised by lower collective bargaining.

As with national-level institutions, institutional factors at the workplace level may also moderate the relationship between perceived recessionary changes and employee well-being. We focus on two important workplace institutions that have important implications for the continuity or loss of one's job: employment contract and union representation.

Employment contract represents the agreed terms and conditions of one's working arrangement. It may be presented under different types of employment agreements, including permanent, temporary or short-term contracts. Depending on the quality of employment contract, employees may experience work-related anxieties and other negative emotions if the future existence of their job is perceived to come under threat (Sverke and Hellgren, 2002). For example, employees working under more permanent employment agreements may not experience a heightened sense of insecurity when their employing organisation faces recessionary events or external shocks. Prior research has also shown that temporary workers are more likely to report a higher level of perceived insecurity than permanent workers in adverse economic situations (e.g., Rigotti, Mohr and Isaksson, 2015). De Cuyper and De Witte's (2007) study, however, deviates from this line of evidence. Based on a sample of 477 workers in Belgium, De Cuyper and De Witte (2007) found evidence that the negative effects of perceived job insecurity on well-being were considerably weaker for temporary workers than permanent workers. This apparent paradox is generally explained as a product of the differing psychological contracts that different employment statuses are likely to give rise to: temporary workers have lower expectations that their employer will protect their employment during a period of economic distress than permanent workers do (Cheng and Chan 2008). Thus, we might expect the

Recessionary changes, well-being, and institutions

likely adverse consequences of recessionary events on well-being to be stronger for workers employed under a more permanent employment contract.

Hypothesis 4: The negative impact of POD and JD on well-being is stronger for workers employed on a permanent employment contract than workers employed on a non-permanent contract.

Brochu and Morin's (2012) analysis of data from the American General Social Survey showed union members are likely to feel less secure about the future prospects of their job, particularly during periods of economic recession. Brochu and Morin (2012) outlined industry factors, rather than self-selection (i.e., union members self-select into union jobs), as possible explanations for their findings. Interestingly, however, Douglas, Haar and Harris's (2017) recent study found evidence that union membership mitigates adverse well-being outcomes among workers who feel less secure about their jobs. Douglas et al. (2017) explained that union membership provides support and emotional resources for employees to successfully manage the prospects of losing important aspects of their jobs, and this in turn minimises emotional exhaustion and cynicism. Douglas et al.'s (2017) argument reflects the underlying premise of our next hypothesis: that union membership provides workers with a sense of protection against adverse recessionary conditions, notwithstanding the heightened sense of insecurity that those conditions might generate.

Hypothesis 5: The negative impact of POD and JD on well-being is weaker among union members than non-union members.

Methodology

We test our hypotheses using data from two independent sources: the 2010 ESS (European Social Survey, 2016) for measures of POD, JD, employee well-being, and workplace-level institutional moderators; and the OECD database for national-level

Recessionary changes, well-being, and institutions

institutional moderators. The ESS is designed to monitor public attitudes, values, beliefs, and behaviours across European countries included in the survey. Data for the ESS were collected by random sampling methods involving hour-long face-to-face interviews. The 2010 ESS data covers 28 European and associated countries, but due to missing data, the present study is limited to 21 countries. The present study focuses on respondents who were employees in paid employment at the time of data collection (N = 16,271) – we excluded respondents who were either self-employed or worked for their own family businesses. The median number of workers in sampled countries is 730 (range is 532 to 1325). Data from the 2010 ESS were matched with national-level data from the 2010 OECD measures of employment protection legislation and collective bargaining coverage (OECD 2016). Details of items used for each of our variables, and summary statistics are provided in Table A1 of the Supplementary Appendix.

Measures

Perceived organizational distress (POD) was measured by two items from the 2010 ESS recessionary impact module. This module measures employees' reflections about the previous three years, the period in which most European countries were experiencing the 2008 recession. The first item asked respondents to indicate the extent to which their work organisation had experienced financial difficulty in the last three years (1 = "no financial difficulty" to 4 = "a great deal of financial difficulty"). The second item relates to workforce reduction – respondents were asked to report whether the number of employees at the organisation had increased or decreased in the last three years (1 = "increased a lot" to 5 = "decreased a lot").

Job deterioration (JD) was also derived from the 2010 ESS recessionary impact module. The four items for this variable asked respondents to indicate whether each of the following happened to their jobs in the last three years: had to do less interesting work; had to take pay cut; had to work shorter hours; had less security in their job. Each item was measured on a binary scale (0 = 'no' or 1 = 'yes').

Recessionary changes, well-being, and institutions

Psychological well-being was measured by three items in which respondents were asked to indicate how often they felt the following emotions in the last two week period: “cheerful and in good spirits”; “calm and relaxed” and “active and vigorous” (1 = “at no time” to 6 = “all of the time”).

Work–nonwork interference was measured by three items in which respondents were asked to indicate how often they: “keep worrying about work problems when they are not working?”; “feel too tired after work to enjoy the things they would like to do at home?”; and “find that their job prevents them from giving their time to their partners or family” (1 = “always” to 5 = “never”).

Employment contract was measured by a single item that required respondents to report whether their main job was characterised by an unlimited work contract, a limited work contract, or no written contract. This item was coded as 0 = “non-permanent contract (i.e., work contract of a limited duration or no written work contract)” or 1 = “permanent contract (i.e., work contract of an unlimited duration)”.

Union membership was measured by a single item that required respondents to indicate whether they have ever been a member of a trade union or similar organisation. This item was coded as 0 = “non-union member” or 1 = “union member”.

Employment protection legislation was measured by the 2010 OECD Employment Protection Legislation Index for individual and collective dismissals. This index is compiled based on information from existing statutory laws and collective bargaining agreements that deal with the procedures and costs involved in dismissing or hiring individuals or groups of workers.

Collective bargaining coverage was derived from the 2010 OECD index for the national percentage of employees with the right to bargain. This index is calculated in terms of the

Recessionary changes, well-being, and institutions

proportion of employees covered by collective agreements, divided by all wage earners with bargaining rights within the country.

Peculiar features of our nested data preclude us from applying the OECD indices directly to our analysis. For example, the ratio of national-level units (i.e., the 21 ESS countries) to individual units (i.e., 16,271 employees) provides insufficient statistical power to achieve unbiased standard errors and accurate parameter estimates (Scherbaum and Ferreter, 2009: 351). Moreover, data from the OECD indices are not normally distributed and the intervals between values vary considerably. Given these constraints, we recoded each institutional factor as a grouping variable to reflect two possible institutional contexts: 0 = “low institutional context” or 1 = “high institutional context”. We used the median value of each institutional factor as the cut-off point (see details in Table A2 of the Supplementary Appendix). For example, employment protection legislation was coded as “0” where the OECD index was less than or equal to 2.22 and “1” where the index was greater. Similarly, collective bargaining coverage was coded as “0” where the corresponding index was less than or equal to 64 per cent, and “1” where the index was greater.

We included a number of control variables by following precedents in previous studies (e.g., Carr and Chung, 2014; Houdmont et al., 2012; Reeves et al., 2014; Wood and Ogbonnaya, 2018): disability, gender, age, education level, organisation size, contracted weekly hours, sector, and number of years in paid employment. All control variables were derived from the 2010 ESS data.

Analytical procedure

Data were analysed by Structural Equation Modelling (SEM) with latent constructs. We used the Mplus software program (version 7.1) together with the robust maximum likelihood estimator that adjusts for non-normality of data (Muthén and Muthén, 2010). We applied two

Recessionary changes, well-being, and institutions

weight estimates – design and population size weights – in the analyses to ensure more accurate results. Design weights were used to account for unequal probability of sample selection due to the sample designs adopted by participating ESS countries. Population size weights were used to correct for the different population sizes of each participating ESS country. Furthermore, we used the Mplus complex survey data syntax to correct for potential sources of error due to non-independence of data (i.e., respondents nested within different countries). This syntax adjusts standard errors for clustering effects and is used when hypotheses are made at the individual level of analysis.

The measurement component of SEM was first estimated to ensure all measurement items (excluding the four institutional factors, which are categorical items) are discrete and reliable indicators of their respective latent constructs. This model yielded adequate goodness-of-fit: $X^2 = 326.282$; $df = 48$; $p < 0.001$; RMSEA = 0.02; CFI = 0.94; TLI = 0.92; SRMR = 0.02. All factor loadings were statistically significant and greater than 0.40 (see Table A1 of the Supplementary Appendix).

We tested Hypotheses 1 by regressing the respective latent constructs of psychological well-being and work–nonwork interference on the latent constructs of POD and JD. Control variables were incorporated into the covariance matrix of the regression equations.

Hypotheses 2 to 5 refer to the moderating effects of two national-level institutions (employment protection legislation and collective bargaining coverage), and corresponding institutions at the workplace level (employment contract and union membership). Our approach to assessing these moderating effects was by multiple group analysis. Multiple group analysis belongs to a family of SEM procedures known as Mean and Covariance Structures (MACS) analyses (Byrne, 2012). Moderated effects in multiple group analysis are estimated by (i) specifying the moderator as a grouping variable, (ii) allowing parameter estimates (e.g., regression slopes) to vary across categories of the grouping variable, and (iii) assessing whether

parameter estimates are statistically different across categories of the grouping variable. Using this approach, we examined four multiple group moderation models, each testing whether the direct impact of POD and JD on psychological well-being and work–nonwork interference, respectively, were statistically different across the two categories of each institutional factor. Wald Chi-square test of parameter equalities (Wald test) was applied where necessary to determine statistical difference in regression estimates (Muthén and Muthén, 2010). If the Wald test’s p-value is < 0.05 , there is evidence that estimates are statistically different.

Results

Table 1 shows the bivariate correlations among POD, JD, psychological well-being and work–nonwork interference are in the hypothesized direction. POD is negatively correlated with psychological well-being and positively correlated with work–nonwork interference. JD also has a negative correlation with psychological well-being and a positive correlation with work–nonwork interference. The correlation between POD and JD is positive, and that between psychological well-being and work–nonwork interference is negative.

Table 2 shows standardized regression coefficients for the direct impact of POD and JD on employee well-being. As shown in Table 2, POD is not significantly associated with psychological well-being ($\beta = -0.07, p > .05$), though it has a positive relationship with work–nonwork interference ($\beta = 0.10, p < .01$). However, JD is significantly associated with both well-being outcomes – negatively with psychological well-being ($\beta = -0.11, p < .05$) and positively with work–nonwork interference ($\beta = 0.15, p < .001$). With the exception of a non-significant relationship between POD and psychological well-being, our data found support for Hypothesis 1. We conclude that perceived recessionary changes are likely to induce negative consequences on employee well-being.

Insert Tables 1 and 2 here

In Table 3 we present results of multiple group analyses that examined the moderating effects of national- and workplace-level institutions. The table shows standardized regression coefficients for each moderating effect, and where applicable, we report corresponding Wald Test estimates.

As shown in Table 3, the direct impact of POD on psychological well-being is neither statistically significant among employees in countries characterised by lower nor higher levels of employment protection. POD has a significant positive impact on work–nonwork interference among employees in countries where employment protection is relatively low; but the impact is not significant for employees in countries where the level of employment protection is relatively high. For JD, there is a significant negative impact on psychological well-being for employees in countries characterized by a relatively low employment protection, but not among employees in countries where employment protection levels are relatively high. The impact of JD on work–nonwork interference is not statistically different for employees across lower or higher national contexts of employment protection. We interpret these results to suggest important buffering mechanisms associated with employment protection legislation. In particular, we argue that the potential threats of POD and JD on different measures of employee well-being are considerably weaker where the institutional context is characterised by greater levels of employment protection for workers (Hypothesis 2 is partially supported).

Insert Table 3 here

Table 3 further highlights important nuances regarding the buffering role of collective bargaining coverage. POD has a significant negative impact on the psychological well-being of employees in countries where the collective bargaining coverage is relatively high, but not

Recessionary changes, well-being, and institutions

among employees in countries where the coverage is relatively low. Unlike employment protection legislation, the positive influence of POD on work–nonwork interference is not statistically different for employees across lower or higher national contexts of collective bargaining. Contrary to our prediction in Hypothesis 3, therefore, a higher national coverage of collective bargaining may not necessarily protect workers against the possible adverse effects of POD on employee well-being. Interestingly, however, the results involving JD are consistent with Hypothesis 3. JD has a significant negative impact on the psychological well-being of employees in countries characterized by lower collective bargaining coverage, but not among employees in countries where the collective bargaining coverage is relatively high. Similarly, the positive impact of JD on work–nonwork interference is significantly weaker in countries where employees are covered by higher levels of collective bargaining. Our prediction in Hypothesis 3 is therefore supported in terms of the results involving JD.

Our analysis of the moderating role of employment contract revealed that the results are generally consistent with our predictions in Hypothesis 4. As can be seen in Table 3, the negative impact of POD on psychological well-being is significant for employees employed under a permanent employment contract; but the impact for those employed under a non-permanent employment contract is not statistically significant. In terms of the negative impact of POD on work–nonwork interference, we found no statistically different effects across both types of employment contracts. The results involving JD are generally consistent with our predictions in Hypothesis 4. We found evidence that the negative impact of JD on psychological well-being is statistically significant among employees on a permanent contract, but not those employed under a non-permanent contract. The impact of JD on work–nonwork interference is however not significantly different across both types of employment contract. In all, Hypothesis 4 is supported for the regression paths involving psychological well-being only.

Table 3 shows that the impact of POD on psychological well-being is neither significant for non-union members nor union members. Although the impact of POD on work–nonwork interference is significant and positive, it is not statistically different across non-union and union members. We can infer therefore that the moderating effects involving POD deviate from our predictions in Hypothesis 5. Unlike POD, however, the results involving JD provide support for Hypothesis 5. JD has a significant negative impact on the psychological well-being of non-union members but not of union members. Similarly, there is a significant positive impact of JD on work–nonwork interference among non-union members but not among union members. The findings involving JD are therefore consistent with Douglas et al.’s (2017) argument that union membership offers some form of protection against the likely adverse effects of job-related insecurities on workers’ well-being.

Discussion

It is generally accepted that the 2008 financial crisis had significant adverse consequences for organizations across Europe. This view has been substantiated by a considerable amount of studies. However, the knowledge of how the economic recession that followed this crisis has shaped workers’ experiences of work and well-being is only now being explored systematically (Green et al., 2016). The present study adds to this emerging body of research by focusing on two aspects of recessionary changes at work – POD and JD – and examining their respective effects on employee well-being. Beyond focusing on these types of recessionary changes, our aim was to provide a more institutionally informed perspective on the nature of their effects. Thus, we tested the proposition that institutional factors operating at both the national and workplace levels will moderate the adverse consequences of recessionary changes on employee well-being. Our starting proposition was that protective institutions would ameliorate these adverse consequences – or at least reduce them significantly. However,

as summarized in Table A3 of the Supplementary Appendix, our results present a more complex story of how institutions influence these relationships.

We found evidence to support the prediction that employees are likely to report a significant decline in the overall quality of their jobs during periods of economic recession. Such changes were in turn associated with diminished levels of psychological wellbeing and higher levels of work–nonwork interference among employees. Our results, however, showed that the source of these recessionary changes – either organizational (i.e., POD) or job-specific (i.e., JD) – is important. For example, JD was related to work–nonwork interference, but POD was not. It could be that POD is somewhat distal to an individual’s general life; thus, its potential spillover effect from the work to nonwork domain might be weak. In contrast, JD is more likely to be experienced directly by the individual and, therefore, would have a more direct spillover effect on both general well-being and the work-family interface. Overall, though, our findings are consistent with prior studies, which have generally shown periods of economic recession to be occasions where workers are exposed to work-related stressors that induce feelings of frustration and culminate in ill-being (Houdmont et al., 2012).

Moreover, we found unexpected nuances associated with the four institutional factors examined in the present study. In short, national-level institutions designed to protect workers from adverse employment conditions, rather than institutions operating directly at the workplace level, appeared to be associated with stronger buffering effects on employee well-being. We found evidence to support the idea that well-functioning national institutions may provide employees, either explicitly or implicitly, with a sense of employment stability during recessionary periods (Groot et al., 2011). In addition, prior research indicates that the relationship between perceived employment insecurity and well-being may, in fact, be moderated by a number of other factors, including age, employment status, gender, occupation, and family support (Burgard and Kalousova 2015). Heyes (2011) argued that the adverse

Recessionary changes, well-being, and institutions

consequences were unevenly distributed across the EU workforce, with younger persons having a greater risk of job loss. As our data do not allow us to isolate a wider array of factors as part of our analysis, future research is needed to tap into these complexities further.

In contrast, institutional arrangements at the workplace level appeared to reflect the paradoxical patterns we had expected to emerge. Workers employed under permanent work contracts were generally found to report adverse experiences of POD and poor psychological well-being than workers whose employment contracts were less permanent. Similarly, workers under permanent work contracts were more likely to report adverse experiences of a deterioration in job quality than workers whose employment contracts were not permanent. The effects of recessionary events on experienced work–nonwork interference were, however, not statistically different between permanent and non-permanent workers. Unlike employment contract, the moderating effects of union membership were less paradoxical: the adverse effects of JD on both measures of employee well-being were relatively weaker among union members than non-union members.

The present study makes three important contributions to the extant literature on the consequences of the 2008 recession for both organisations and workers. Most significantly, our results highlight critical mechanisms through which recession appears to affect workers, their psychological well-being and experience of work–nonwork interference. The recessionary module included in the 2010 wave of the ESS data provides us with a unique opportunity to explore such mechanisms by linking the timing of data collection (immediately following the onset of recession) with individual experiences at work.

The second significant contribution of our study concerns the role of protective institutions in moderating the impact of recession in different countries. Our results suggest that institutions at the national level can have important buffering effects against the adverse health and psychological consequences of recessionary events. This was quite clear especially

Recessionary changes, well-being, and institutions

for national-level institutions such as employment protection laws that apply to workers across employment levels. However, for workplace-level institutions such as employment contract and union membership, the overall buffering effects appeared to be less clear-cut.

The third major contribution of this study relates to our understanding of how labour market institutions work. Our focus is on a particular period in which institutions are ‘activated’ by individuals and organisations during recessionary circumstances. Our results suggest that understanding the impact of institutions requires an in-depth consideration of the conditions under which particular institutional features are likely to have more intensive effects. This proposition has been well-established in studies of democratic institutions (e.g., Weaver and Rockman 2010) and the impact of product market and labour market institutions on cross-country trade (e.g., Nunn, 2007). Our results suggest a similar effect for labour market institutions and show that they have more intense effects during recessionary periods. One immediate consequence of these results is to highlight the differential or often countervailing effects of institutions, which need to be accounted for in assessing their efficiency and policy implications.

One important gap in our analysis concerns the absence of specific social mechanisms through which institutions might influence employee well-being. Prior research suggests that this may be captured through three pathways: economic factors (such as the absence of savings or other alternative sources of income and consumption), physical health (Baumbach and Gulis, 2014), and socio-psychological pathways (McKee-Ryan et al., 2005) that capture the role of downturns, periods of risk, and uncertainty on individual sense of self-worth and dignity. We also recognise the limitations associated with reliance on cross-sectional data. This precludes us from drawing stringent causal inferences. We have sought to avoid any common method variable problem by matching data drawn from different sources (ESS and OECD), as well as

Recessionary changes, well-being, and institutions

taking advantage of the added module dealing with the effects of the recession administered as part of the 2010 ESS data collection.

Our results point to a number of fruitful directions for future research. First, there is scope for extending our analysis to the potential moderating role of other state-centred and social institutions on the consequences of recession for worker well-being. For example, the politics of social welfare highlights the potential role of family structures and other social networks on alleviating the effects of economic uncertainty (Scruggs and Allan, 2008). Further work also needs to extend this to understand the relative importance of different pathways through which recessionary changes are likely to influence employee well-being, as well as the potentially contradictory effects of different types of institutions. As we have already noted, prior research posits a number of possible mechanisms, but to our knowledge, no study has examined the relative importance of such mechanisms simultaneously. Finally, our view is that further work will require longitudinal data to deepen our understanding of how such recessionary effects evolve over time. This may also point to the value of employing qualitative, case study-focused approaches to field work. Whatever approach is taken, the importance of this topic remains considerable in light of ongoing economic uncertainty and other likely disruptions in the future.

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Table 1. Bivariate correlations among study variables

| Variables | 1 | 2 | 3 |
|---|----------|----------|----------|
| 1 Perceived organizational distress (POD) | - | | |
| 2 Job deterioration (JD) | 0.25*** | - | |
| 3 Psychological well-being | -0.09*** | -0.13*** | |
| 4 Work–nonwork interference | 0.09*** | 0.14*** | -0.31*** |

Sample size (N): 16,271 in 21 countries

*** $p < .001$

Recessionary changes, well-being, and institutions

Table 2. Direct effects of POD and JD on workers' well-being

| | Psychological well-being (<i>Betas</i>) | Work–nonwork interference (<i>Betas</i>) |
|---|---|--|
| Perceived organizational distress (POD) | -0.07 | 0.10** |
| Job deterioration (JD) | -0.11* | 0.15*** |
| <i>Control variables</i> | | |
| Disability | -0.18*** | 0.12*** |
| Gender (Male) | 0.08*** | -0.07** |
| Education level | 0.02* | 0.08*** |
| Age 17 and below (Age 40 to 49 is reference category) | 0.02*** | -0.02 |
| Age 18 to 21 | 0.04 | -0.02 |
| Age 22 to 29 | 0.08*** | -0.03 |
| Age 30 to 39 | 0.03** | 0.02 |
| Age 50 to 59 | -0.02 | -0.02 |
| Age 60 to 64 | -0.00 | -0.04*** |
| Age 65 and over | 0.02* | -0.06*** |
| Organization size | 0.00 | 0.02* |
| Contracted weekly hours | -0.01 | 0.19*** |
| Sector (private) | -0.02 | 0.04* |
| Number of years in paid employment | 0.05 | 0.05 |

Sample size (N): 16,271 in 21 countries

* $p < .05$; ** $p < .01$; *** $p < .001$

All regression coefficients (*Betas*) are standardized estimates

Recessionary changes, well-being, and institutions

Table 3. Moderating effects of national- and workplace-level institutional factors

| <i>Employment protection legislation</i> | Low institutional context (<i>Betas</i>) | High institutional context (<i>Betas</i>) | Wald's Test for statistical difference in parameters |
|---|---|--|---|
| Perceived organizational distress → Psychological well-being | -0.02 | -0.11 | <i>Not statistical different, p = 0.18</i> |
| Perceived organizational distress → Work–nonwork interference | 0.14*** | 0.08 | <i>Statistically different (Wald's Test not required)</i> |
| Job deterioration → Psychological well-being | -0.17*** | -0.06 | <i>Statistically different (Wald's Test not required)</i> |
| Job deterioration → Work–nonwork interference | 0.21*** | 0.13** | <i>Not statistical different, p = 0.12</i> |
| <i>Collective bargaining coverage</i> | Low institutional context (<i>Betas</i>) | High institutional context (<i>Betas</i>) | Wald's Test for statistical difference in parameters |
| Perceived organizational distress → Psychological well-being | -0.04 | -0.13* | <i>Statistically different (Wald's Test not required)</i> |
| Perceived organizational distress → Work–nonwork interference | 0.11*** | 0.10** | <i>Not statistical different, p = 0.82</i> |
| Job deterioration → Psychological well-being | -0.15*** | -0.05 | <i>Statistically different (Wald's Test not required)</i> |
| Job deterioration → Work–nonwork interference | 0.21*** | 0.07** | <i>Statistically different, p = 0.00</i> |
| <i>Employment contract</i> | Non-permanent contract (<i>Betas</i>) | Permanent contract (<i>Betas</i>) | Wald's Test for statistical difference in parameters |
| Perceived organizational distress → Psychological well-being | -0.08 | -0.09* | <i>Statistically different (Wald's Test not required)</i> |
| Perceived organizational distress → Work–nonwork interference | 0.11** | 0.10** | <i>Not statistical different, p = 0.69</i> |
| Job deterioration → Psychological well-being | -0.09 | -0.11** | <i>Statistically different (Wald's Test not required)</i> |
| Job deterioration → Work–nonwork interference | 0.18*** | 0.15*** | <i>Not statistical different, p = 0.83</i> |
| <i>Union membership</i> | Non-union member (<i>Betas</i>) | Union member (<i>Betas</i>) | Wald's Test for statistical difference in parameters |
| Perceived organizational distress → Psychological well-being | -0.09 | -0.10 | <i>Not statistical different, p = 0.89</i> |

Recessionary changes, well-being, and institutions

| | | | |
|---|---------|--------|---|
| Perceived organizational distress → Work–nonwork interference | 0.09* | 0.18** | <i>Not statistical different, $p = 0.18$</i> |
| Job deterioration → Psychological well-being | -0.10* | -0.07 | <i>Statistically different (Wald's Test not required)</i> |
| Job deterioration → Work–nonwork interference | 0.17*** | 0.08 | <i>Statistically different (Wald's Test not required)</i> |

Sample size (N): 16,271

** $p < .05$; ** $p < .01$; *** $p < .001$*

All regression coefficients (Betas) are standardized estimates
