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Managing older employees after downsizing

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Abstract

The implementation of a downsizing programme based on an early retirement scheme has been investigated together with its effect on 144 individuals, aged 55 yr or over who remained in the company afterwards (''Stayers''). Special attention has been paid to the effects of a rejected application. Two-wave panel data, 18 months apart, were used to explore adjustment, in terms of health effects, and exit. Levels of distress and somatic complaints proved largely unchanged even though workloads increased and commitment with the organization declined during the 18 months period. A rejected retirement application appeared to have had an indirect effect on distress, expressed in terms of organizational commitment. Both age and perceptions of role overload were related to exit within 18 months of the downsizing.

1. Introduction

The study reported here represents part of a follow-up of downsizing in a service-producing organization. The consequences of a downsizing program whereby all employees aged 55 yr or older were invited to apply for early retirement, have been investigated. Mabon and Westling (1996) have empirically evaluated the costs of downsizing in this case using utility theory. Their conclusion was that in terms of financial utility and efficiency, the company in question had neither gained nor lost as a result of the strategy adopted. The outcome for the Retirees was found to be largely favourable (Isaksson & Johansson, 2000), due to the fact that most of them left voluntarily with relatively generous benefits. What remains to be evaluated,

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however, concerns certain issues of special relevance to human resource managers, such as the situation for older employees who remained with the company. The short-term consequences in this group appeared to be negative, leading to a significantly higher average level of distress among Stayers than among Retirees. This difference was largely explained by the fact that the proportion of those facing a forced choice of employment status was higher among Stayers than among Retirees.

In a recent overview, Cameron and Huber (1997) concluded that association reports on the connection between downsizing and organizational effectiveness are more often negative than positive, usually depending on the way in which the downsizing had been implemented. The present study seeks to evaluate how implementation of downsizing in the focal company affected the older employees who remained with the company (the Stayers) with time. About 30% of Stayers had had their applications for early retirement turned down. This group was compared to the voluntary Stayers who had never applied for early retirement. Impact of the rejection on attitudes and well-being and possible exit during the 18-month period following downsizing was evaluated.

1.1. Human resource management following downsizing

Organizational downsizing can be defined as "a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity or competitiveness—or all three—by reducing the size of the organization" (Cameron & Huber, 1997, p. 51). Over the years an awareness of the difficulties involved in this process has been growing. Cascio (1997) concluded that in itself downsizing did not appear to lead to improved performance in terms of a company's financial results. Cameron and Huber (1997) went one step further, in their conclusion that negative reports on the connection between downsizing and organizational effectiveness were more common than positive ones, and that the manner in which the strategies had been implemented was the main reason for this. Like Kozlovski, Chao, Smith, and Hedlund (1993), they state that the effectiveness of downsizing strategies ultimately depends on the reactions of the "survivors" of the process. As many as 74% of the senior managers in downsized companies reported that morale, trust and productivity all suffered after downsizing (Cameron & Huber, 1997). Other negative outcomes among those remaining in employment included role ambiguity, role overload and a decline in loyalty—all of the factors affecting them—social climate and contributing to future productivity.

On the other hand, several studies have reported that when employees were adequately compensated, were treated fairly and were able to communicate openly with their managers, then a reduction in stress, an increased commitment and improvements in productivity could follow downsizing (Brockner, Grover, Reed, DeWitt, & O'Malley, 1987; Parker, Chmiel, & Wall, 1997). However, every process is open to pitfalls, and we still lack more precise knowledge of the options and the consequences of differences in the management of human resources before, during

and after downsizing. An obvious example concerns the strategies that build on voluntary departure (such as early retirement) and those that build on layoffs, and how these affect employees remaining in the company. Another issue is the role of job insecurity. Most studies of "survivors" have evaluated the consequences in situations involving the threats of future layoffs. The relevance of the survivor/victim distinction, that is commonly employed in layoff research, also needs to be evaluated when there is a voluntary element in the workforce reduction schemes, whereby employees have a choice about whether or not to leave (Mollica & DeWitt, 2000).

1.2. Individual reactions to downsizing

Kozlovski et al. (1993) emphasized the need of more research on the impact of downsizing on long-term adjustment and career development and on the role of individual differences in adjustment. Over the years these authors, together with more recent reviewers of research (Cameron & Huber, 1997; Ketz de Vries & Balazs, 1997) have gathered evidence of negative effects of downsizing among those whose jobs are preserved.

Major research contributions in this area have been made by Brockner and his associates (see e.g., Brockner, 1988; Brockner et al., 1987). A prominent feature of their work involved the testing of hypotheses in the field and in the laboratory as a way of handling the problem of collinearity that arises from the use of self-reported data in organizational studies. Most studies of downsizing effects have used attitude measures as dependent variables, but not many have looked at stress and strain among survivors. One of the exceptions was Ashford (1988), who it was claimed that the uncertainty and disruption associated with massive restructuring was related to the employees' feelings of stress. Ashford also reported that a person's experience of control and a tolerance of ambiguity made it easier to cope with the situation, as too did social support and the opportunity to share emotions.

A theoretical model building on a general stress framework was recently presented by Mishra and Spreitzer (1998) in an attempt to identify predictors of coping with downsizing. A critical focus of the model is the interaction of individual and situation factors in shaping responses to downsizing. The model assumes that the employees' trust and their perceptions of justice affect their primary appraisal of the downsizing process. It is assumed that perceived injustice increases the risk of destructive coping. Further, work redesign and empowerment are expected to influence the secondary appraisal in the shape of active as opposed to passive responses. According to the model, a passive and destructive response could result in worry, anxiety and withdrawal. The present study will investigate predictors of two of several possible responses. The first one is an active response, namely to quit the job and leave the organization. The other is passive, resulting in negative health effects over time.

A crucial issue for both managers and researchers is likely to be the duration of any effects on the employee's attitudes and behaviour. Longitudinal studies that follow the survivors of downsizing over a period of time are scarce. Two studies,

however, have addressed the topic. Noer (1993) described what he called "survivor sickness" which involves long-lasting signs of fatigue, resignation and depression, and is closely linked to the feeling of job insecurity. Heaney, Israel, and House (1994) reported long-lasting negative health effects from chronic job insecurity. Whereas both these studies focused on job insecurity after downsizing, the focus here will be on the long-term effects of downsizing on perceived injustice, and work redesign on well-being, and turnover among survivors in a situation of relative job security.

1.3. Downsizing effects among older employees

There is an evident need for studies of age-related differences in reactions to downsizing. In a theoretical overview Mishra and Spreitzer (1998) suggested that, due to concerns about reduced job alternatives, older employees could be expected to respond more fearfully to downsizing compared to their younger colleagues. On the other hand, older workers are often more attached to the company. They have had long tenure and their loyalty is strong, which—if people feel trust in management—could act as a buffer against negative effects. The downsizing literature reveals several other factors that may affect adjustment especially of older employees in particular. An increase in workload after downsizing is one very common finding. Apart from the generally negative impact on health for all employees, heavier demands and greater time pressure are likely to have an especially decisive impact on older employees.

A cross-sectional study by Mollica and DeWitt (2000) has presented results concerning the effects of early retirement on employees remaining in the company. Age and tenure were clearly critical factors associated with an increase in reports of an intention to leave. Our study possesses the obvious advantages of being able to evaluate longitudinal consequences in terms of quitting as well.

1.4. Predictors of staff turnover

The prediction of turnover behaviour has been a subject of research since the 1950s, and has generated hundreds of studies. Several models of factors predicting turnover have been developed (see e.g. Mobley, Griffeth, Hand, & Meglino, 1979), but their extensive nature has prohibited systematic empirical testing. A recent review of the area (Maertz & Campion, 1998) led to the conclusion that models of the process leading to turnover should include job content, some measure of affect, and an indicator of cognitive intention to withdraw from the job. The best predictor of actual quitting, according to Maertz and Campion (1998), was the intention to quit. The quality of predictions is also influenced by the length of time between the measurement of intention and behaviour.

The Mobley model proposed the mediating function of job satisfaction, as affecting the relation between job content and intention to leave. This means that an evaluation of the job characteristics, leading to a sense of dissatisfaction with the job

and this triggers the idea of leaving it (Williams & Hazer, 1986; Hellgren, Sverke, & Sjöberg, 1994). Age is generally found to be negatively related to turnover, i.e. older people are generally *less* inclined to leave their jobs voluntarily, but this relation might be different when retirement has become an option, or working conditions have changed after a downsizing process. Staff turnover as a reaction to stress in organizations has also been generally observed (Kahn & Byosiere, 1992), something that is clearly relevant in the present context. Lim (1996) has shown that the intention to leave and active job search were both significantly related to job insecurity after downsizing. Others have shown that job dissatisfaction and weak organizational commitment were strong predictors of turnover intention (e.g. Williams & Hazer, 1986). In the present study we will try to predict turnover over a period of 18 months among individuals aged 55 and over, using both affective and cognitive perceptions of the situation after downsizing.

1.5. Research objectives and hypotheses

The present paper explores the possible long-term effects of downsizing, with particular attention to the adjustment of the remaining older Stayers in the company (55+) after downsizing through an early retirement scheme. The lingering effects of the implementation of downsizing were evaluated in terms of health and predictors of turnover. The effects of changes in workload and organizational commitment were also evaluated. Special attention was paid (1) to the effects of a rejected application for retirement on the attitudes and job perceptions of older Stayers, and (2) to the relation to health effects and quitting over time. The study is unique in that it explores the effects of downsizing among older employees twice at an interval of 18 months interval. During the intervening period there was no threat of further downsizing for the older employees and, who thus, enjoyed relative job security.

Analyses of data obtained at Time 1 (Isaksson & Johansson, 2000) had shown that implementation of the strategy adopted in this case had led to perceived injustice. All employees aged 55 yr or older, were invited to apply for retirement, which the local managers granted or denied. The managers did not treat all applications in the same way, however, and their grounds for rejection varied. The most common reason for rejection was that the applicant possessed special qualifications of crucial importance to the company. At the same time applications were granted generously in certain departments, that were already under pressure to cut costs.

Thus, the first question concerned the persistent effects of the rejected application on attitudes and job perceptions. It was assumed that a rejected retirement application would have a negative impact on attitudes to job that would eventually affect health and well-being, perhaps even leading to quitting during the following 18 months.

Hypothesis 1. A rejected retirement application will be related to lower values for organizational commitment, and to perceptions of a heavier workload.

Hypothesis 2. A rejected retirement application will be related to negative health effects as well and to a greater propensity to quit within 18 months.

Because old age and long tenure were prominent factors, the role of changes in workload and organizational commitment as predictors of negative health effects were especially interesting. It was assumed that the older Stayers would report an increase in workload. A heavier workload is generally observed when the number of employees in the company has been reduced. Here, it was assumed that the older employees would be especially vulnerable to downsizing-related changes, and that changes in workload and organizational commitment would thus be significant predictors of both negative health effects and quitting within 18 months.

Hypothesis 3. Heavy workload and a low level of commitment will be significantly related to distress and to quitting.

One final research question concerned predictors of voluntary quitting. In line with earlier models of turnover, the following measures were selected at Time 1 as possible predictors of turnover at Time 2: age, rejection of application for retirement, organizational commitment, perceived workload, and intention to quit.

2. Method

2.1. The retirement scheme

The study was performed in a Swedish insurance company employing about 4000 individuals at the start of the investigation period. Employees aged 55 or over were invited to apply for retirement retaining 80% of their salary from the time of retirement until the regular age for receiving the state pension (65). Individual applications were made, and the local manager decided whether to grant or deny retirement to the applicants among their own subordinates. Since the overriding goal was to reduce costs, retirement could only be granted in cases where no replacement was necessary, or could be arranged via internal recruitment. About one-third (31%) of the older employees remaining in the company reported that their application for early retirement had been rejected. The remaining 69% wanted to continue working, and consequently did not apply.

2.2. Participants and attrition

All employees who were offered early retirement ($n = 633$) were invited to take part in the study. Of these, 357 applied for retirement and were permitted to take it. The remaining 45% ($n = 276$) of the same age group continued to be employed. This study is concerned with the latter group only. Members of the group received the first questionnaire in December 1992, when the last group of Retirees left the company. Two-wave data was collected 18 months later.

A total of 144 Stayers, all of whom completed questionnaires about individual outcomes of the process on two occasions, comprised the basis for the analyses presented below. We assumed no health differences between Retirees and Stayers before downsizing. The reason for this assumption was that employees with poor health had been encouraged to apply for a disability pension rather than early retirement. Retirees were significantly but slightly older than Stayers: 60 compared to 59 for Stayers ($F(1.370) = 13.0$, $p < 0.001$). In other respects the two groups were comparable. Both reported themselves as being generally healthy (85%), and there was no difference between them in terms of health status or work-related values at Time 1 (Isaksson & Johansson, 2000).

The total response rate on both occasions was 53%. Due to internal attrition the response rate for the questions posed varied to some extent. An analysis of the first-wave data showed that the members of the small group of dropouts between Time 1 and Time 2 were slightly but significantly older, $M = 61$, compared to respondents, $M = 59$. There was no significant difference in gender distribution, and the level of satisfaction with the downsizing outcome at Time 1 was the same among respondents and non-respondents at Time 2.

2.3. Questionnaire

The questionnaire had five sections: demographic information, organizational commitment and work values, health and well-being, social conditions, and current working conditions. The variables used for the present analyses are listed below. Internal attrition led to minor variations in sample size for the various analyses.

Voluntary/forced choice of employment status: In the questionnaire the participants had to choose one of the following statements as best describing their situation: "I wanted to continue working and I never applied for early retirement", "I wanted to retire and applied, but my boss rejected the application". On a basis of responses to this item it was possible to divide the Stayers into two main subgroups: those reporting a voluntary choice of employment status ($n = 89$, 69%) and those reporting a forced choice ($n = 40$, 31%). The division was coded as a dummy variable (0 = forced choice, 1 = voluntary choice).

Workload: Workload was measured by a subset of items from a Swedish scale developed by Hovmark and Thomsson (1995). The measures used here consisted of two indices: (1) *role overload* in terms of time pressure, the average of two items (e.g. "It happens quite often that I have to work under severe time pressure") and (2) *role conflicts*, the average of three items (e.g. "Conflicting demands from certain people in my work place are difficult to handle". All items utilized a five-point scale ranging from "seldom/not at all" (1) to "daily" (5).

Organizational commitment: The index was equal to the average of two items ("I am proud to work for the company" and "My values are close to those of the company") utilizing a scale ranging from 1 to 5, where 5 indicates high commitment.

Intention to quit: Intention to quit at Time 1 was a single item coded as a dummy variable, where 0 means "I would like to continue working for the company" and 1

means "I would like to leave the company". A total of 27 individuals at Time 1 indicated that they wanted to leave the company.

Psychological distress: The 12-item General Health Questionnaire (GHQ-12) was included in the questionnaire to measure psychological distress/well-being. Developed by Goldberg (1979; Goldberg & Williams, 1988), this scale is widely used and its 12-item version was recommended by Banks and co-workers (1980) for use as an indicator of mental health in studies of work conditions. Responses were given on four-point Likert scales (0–3), with high values representing a high level of distress.

Somatic complaints: A summary index was constructed on the basis of seven items on a symptom checklist (e.g. cardiovascular, muscelo-skeletal and other psychosomatic symptoms) forming a scale originally developed and tested by Andersson (1986).

Staff turnover at Time 2: Of those responding to both questionnaires, 32 (24%) had left the organization after 1.5 yr. Of these, 11 left to work for other employers and 5 to work as consultants; 10 had received a disability pension and another 6 managed to get early retirement after the general scheme was completed. These 32 individuals were excluded from the tests of reactions among Stayers (Hypotheses 1, 2 and 3). A turnover variable was constructed and coded as a dummy variable: those who were employed at Time 1 but had left the company at Time 2 ($n = 32$) were coded as 1 and those who still were employed as 0 ($n = 112$).

2.4. Statistical analyses

Three-step hierarchic regression analyses were used to predict changes in distress and somatic complaints at Time 2. Age differences could be expected, and age was thus introduced first into the analyses as a covariate together with gender and voluntary choice, followed by Time 2 measures of role overload, role conflicts and organizational commitment. Effects of changes over time in the latter variables were evaluated by introducing Time 1 scores as controls in the final step. Finally, logistic regression was used to predict quitting at Time 2 (Menard, 1995).

3. Results

Table 1 shows the correlations between all variables and indices used at Time 1 (below the diagonal) and Time 2 (above the diagonal), and test–retest correlations (at the diagonal). There were high correlations between Time 1 and Time 2 measures of distress, workload, and organizational commitment. The perception of a forced choice was significantly related to role conflicts and distress.

3.1. Changes in working conditions and health outcomes after 18 months

Table 2 shows the average and standard deviation of distress, organizational commitment, and workload at Time 1 and Time 2 and *t*-tests for dependent samples of the changes (with the turnover group excluded, $n = 112$). For reported distress

Table 1
Correlations and reliability (Chronbach's alpha) at Time 1 (below the diagonal) and Time 2 (above the diagonal). Test–retest correlations in the diagonal ($n = 112$)[a]

Variable	α	1	2	3	4	5	6	7
Age		—	0.07	0.00	−0.07	−0.11	0.07	−0.02
Voluntary choice	—	0.07	—	−0.26	−0.25	0.03	−0.27	−0.13
Time pressure	0.80	0.08	−0.15	**(0.46)**	0.45	−0.16	0.35	0.17
Role conflict	0.70	−0.12	−0.23	0.30	**(0.31)**	−0.40	0.46	0.10
Commitment	0.75	−0.10	0.15	0.07	0.00	**(0.56)**	−0.39	0.00
Distress (GHQ)	0.86	0.09	−0.29	0.22	0.41	−0.19	**(0.69)**	0.47
Somatic complaints	0.66	0.02	−0.12	0.23	0.33	−0.04	0.50	**(0.64)**

[a] Correlations higher than 0.20 are statistically significant.

Table 2
Average levels and standard deviations of organizational commitment, work load, role conflict, somatic complaints and psychological distress at Time 1 and Time 2, *t*-tests of significance for dependent samples ($n = 112$)

	Time 1		Time 2			
	M	SD	*M*	SD	*t*	*p*
Commitment	3.7	1.0	3.5	0.9	2.35	<0.05
Role overload	2.8	1.2	3.4	1.3	4.52	<0.001
Role conflict	1.2	0.8	0.8	1.0	4.52	<0.001
Distress	8.7	5.2	8.3	4.5	1.05	ns
Somatic complaints	3.4	3.2	3.6	3.4	0.89	ns

symptoms (as measured by the GHQ-12) and somatic complaints mean values did *not* change significantly between Time 1 and Time 2 for older Stayers. The significant changes appearing in the table concern an increase in perceived role overload in terms of time pressure, and a decline in mean values for organizational commitment and the perception of role conflict after 18 months.

3.2. Explaining the variance in distress symptoms and somatic complaints after 18 months

Table 3 shows the results of a hierarchic regression analysis attempting to reveal factors explaining variation in the two health outcomes, i.e. to clarify whether there were any persisting effects of the implementation of the retirement programme at Time 2 when Time 1 values were controlled for. After introducing age, gender, and perceived voluntary choice in the first step of the analysis, the Time 2 values of all measures were introduced in step 2. Finally, to evaluate effects of changes over time, Time 1 measures of the dependent variable, the two workload indicators and organizational commitment were introduced as covariates in the third step.

Table 3
Predictors of negative health effects among older Stayers after downsizing ($n = 112$)

Predictor	Distress symptoms, Time 2			Somatic complaints, Time 2		
Steps	1	2	3	1	2	3
Age	0.12	0.09	0.05	0.00	0.00	0.00
Gender	−0.01	−0.01	0.01	0.05	0.04	0.03
Voluntary choice	−0.23*	−0.14	−0.07	−0.14	−0.11	−0.05
Time 2 values						
Commitment		−0.25**	−0.35***		0.02	−0.05
Work load		0.15	0.10		0.13	0.07
Role conflict		0.25**	0.14		0.03	0.07
Time 1 values						
Dependent variable			0.58***			0.62***
Commitment			−0.23**			−0.19*
Work load			0.14			0.14
Role conflict			0.15			0.18*
R^2 adjusted	0.02	0.25	0.62	0.01	0.02	0.41
R^2 change	0.06	0.24***	0.36***	0.02	0.02	0.43***

*$p < 0.05$, **$p < 0.01$,***$p < 0.001$.

The three left columns in the table show results for distress symptoms. First, the perception of a forced choice, i.e. a rejected retirement application, appeared to have an indirect effect on distress level 18 months later. This was indicated by a significant beta effect for this factor at step 1 and by the reduction of this effect when attitudes towards the job were introduced in step 2. The level of organizational commitment was the only factor accounting for a significant proportion of the variation in level of distress at Time 2, when Time 1 values were controlled for. This indicates that the decline in organizational commitment during the 18 months following downsizing was related to higher levels of distress among the older Stayers, and that this decline could be an effect of a perceived forced choice to remain employed.

Time 1 measures of distress and health complaints were by far the strongest predictors of both outcomes at Time 2. Finally, regarding somatic complaints, after 18 months no negative effects from a forced choice to remain employed or from changing values regarding workload and organizational commitment were observed.

3.3. Prediction of staff turnover at Time 2

In order to predict turnover at Time 2 a logistic regression analysis was performed, and the following variables were introduced into the analysis: age, together with the measurement of Time 1 for somatic complaints and voluntary choice in step 1, followed by workload in terms of time pressure, organizational commitment and intention to quit in step 2. The results in Table 4 show that the perception of high

Table 4
Logistic regression analysis of turnover at Time 2, using age and Time 1 measures of work load, commitment, and intention to quit as predictors ($n = 130$)

Predictors	Step 1		Step 2	
	B	Wald_	*B*	Wald
Age	0.58	17.1***	0.55	14.4***
Voluntary choice	−0.78	1.4	−0.99	1.7
Health complaints	0.04	0.2	0.08	0.5
Org. commitment, T 1			−0.11	0.0
Role overload T 1			0.70	4.7*
Intention to quit T 1			0.56	0.3
Model X^2			26.6***	6.4*

*$p<0.05$, **$p<0.01$,***$p<0.001$.

workload in terms of time pressure was the only work-related factor predicting exit from the organization within 18 months after downsizing.

Thus, neither voluntary choice, nor a high level of somatic complaints nor the intention to quit at Time 1, predicted turnover as it developed during the 18 months following the implementation of the retirement programme. Age was clearly the predominating factor and this relation was positive showing that older employees were more generally more inclined to leave the company than their slightly younger colleagues.

4. Discussion

4.1. Long-term effects of downsizing on older employees

The hypotheses presented above predicted that in an 18 months time perspective the implementation of downsizing by way of a retirement programme would effect the adjustment of older employees remaining in the company. A critical element in the implementation process was an invitation to apply for voluntary retirement. A substantial proportion of the applications made were rejected, however, and the results indicated that the rejection appeared to affect the loyalty of the employees, with lower values as a result, and that the rejection was indirectly related to high levels of distress 18 months after the downsizing.

In an 18-month time perspective, however, the downsizing-related changes had a limited effect on the turnover rate among the older staff. Thus, the analysis showed that age together with a perception of heavy workload in terms of time pressure appeared to be the strongest predictors of exit from the company during the period in question. We found, contrary to other findings that older Stayers were more inclined than we had expected to leave after downsizing. However, the mechanisms that lie behind this, and the part played by the implementation of the downsizing both remain unclear. The rejection of applications was not apparently decisive. Even

so, downsizing could have had an indirect effect in that an increase in workload is one effect of work redesign (or the failure to manage it) that could be especially critical for the older employees. As many as 10 Stayers left the company applying for disability pensions, but 50% of those who quit went on to work as consultants or took a job in another company.

However, the results reported in this paper clearly indicate that the choice of downsizing strategy, and in particular the way it was implemented, continued to affect the employees who remained in the organization. In our case a decline in the level of organizational commitment was one unintended effect that also continued to affect individual well-being. Among these senior employees, who had been in the company for a long time and also felt a relatively high degree of organizational commitment, there was a deterioration during the 18 months following downsizing, implying that their loyalty to the company was affected. Previous research, for example by Noer (1993), has suggested that job insecurity may be one of the critical factors causing negative reactions among the surviving employees. The participants in our study, however, were dissatisfied despite full job security. Thus, perceived injustice and a lack of influence over a downsizing process may have a strong impact even when job security is obtained.

Contrary to expectations, intentions to quit at Time 1 were not a significant predictor of what actually happened. Several explanations of this are possible. First, as noted by Kirschembaum and Weisberg (1997), intentions and actual behaviour are only loosely connected. A more likely explanation could be that 18 months is too long for a prediction of behaviour based on intentions. In the years following the downsizing here, extensive and unpredicted changes occurred, which together with factors in the personal life of older employees may have altered both intentions and behaviour. Measurement errors may be another explanatory factor, since intention to quit was measured by a single dichotomous item.

4.2. Age-specific reactions and generalizability

The decision to retire is a critical event in the life of every individual. The desire to retire is usually the result of discussion with family, friends and workmates, and the decision is reached after serious consideration. In the case described here, these decision processes were sometimes followed by rejection of the application for retirement. This was perceived very negatively, leading in some cases to a loss of loyalty and trust in management and to negative health effects. These reactions had not been expected by the managers. Nevertheless, our results show clearly that the implementation of the retirement programme appears to have determined the way these older employees reacted on and they have clear implications for other downsizing programmes involving older employees. The positive aspect is that negative reactions to downsizing can be prevented, at least in situations where a certain level of job security can be provided.

At the theoretical level our results coincide with those of other studies reporting strong negative reactions to perceived injustice among survivors of downsizing (Davy, Kinicki, & Scheck, 1991). Our study is the first one to estimate the duration

of disappointed reactions such as these. We conclude that organizations which fail to attend negative reactions can expect (1) negative reactions lasting for at least a year and a half, (2) a high rate of turnover among older, highly qualified employees who are deemed by the company to be of strategic importance to its operation, and (3) persistent high levels of distress among those who remain with the company. A guarantee of job security is apparently not enough to secure the disappearance of negative effects. Future research endeavours in this area should aim at investigating organization-level factors and the interaction of these with factors outside the organisation. This could help to clarify the concept of the "survivor". Organizational commitment and loyalty appear to be closely related to the well-being of the surviving workforce, and, in a long-term perspective possibly to be crucial to the survival of the company.

Nevertheless, for HRM the conclusion to be drawn from this case must be that the downsizing programme was relatively successful in both a financial and a human resource perspective. In the relatively short perspective at least, there was no financial loss, and a majority of the Retirees and the older Stayers were both satisfied with the outcome. The unintended negative outcomes appeared in subgroups of Retirees and Stayers who felt that the implementation of the programme had led to injustice. In retrospect it is easy to see that these negative effects could have been avoided. One way could have been to exclude certain categories of highly qualified senior employees from the general programme. Offering them some compensation for staying would have been another feasible solution. This paper shows clearly that special measures need to be taken, in order to avoid negative effects for highly valued older Stayers possessing competence that is critical to the company. The decline in trust and loyalty to the company in this group could have detrimental effects on efficiency and performance in the company in the longer term.

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