

## The Effect of Formal Versus Informal Job Security on Employee Involvement Programs

### L'effet de la sécurité d'emploi formelle et informelle sur les programmes de participation des employés

### La estabilidad laboral formal comparativamente a la estabilidad informal y su efecto sobre los programas de participación laboral

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#### Résumé de l'article

Cette étude se veut une analyse des effets de la participation du personnel, de la précarité de l'emploi, des attentes et des politiques de sécurité d'emploi sur les conséquences en termes d'attitudes chez la personne au travail. Nous procédons à l'étude de ces enjeux chez les travailleurs du secteur des hôpitaux appartenant à plusieurs catégories occupationnelles au sein d'une seule région métropolitaine. À l'intérieur de ce secteur d'activités, les gestionnaires d'hôpitaux doivent rechercher des moyens d'améliorer à la fois la qualité des soins et le niveau d'efficacité. Par conséquent, ces gestionnaires ont eu recours à une importante mise à contribution du personnel au moment même où ils entreprenaient une réduction de la taille des établissements et une restructuration.

Tout comme d'autres travaux antérieurs l'ont fait, nous constatons que l'implication du personnel a des effets directs sur le sort qui lui est réservé. L'accroissement de la participation du personnel au sein d'une unité entretient une étroite corrélation avec la satisfaction au travail et l'engagement, quoique cela dépende de la forme d'implication mise en oeuvre. Nous observons peu d'effets sur la participation individuelle au sein des équipes de solution de problèmes hors-ligne et sur la participation de forme représentative par le biais des comités, alors que l'effet le plus important de l'implication se manifeste là où il habilite les employés à façonner l'exécution du travail au sein de leurs unités par leur participation à la définition des tâches, à la formation et à l'établissement des horaires de travail. À l'encontre de la recherche effectuée sur des programmes de participation de générations antérieures, il nous semble peu évident que les programmes de mise à contribution des employés qui connaissent le succès exigent une sécurité d'emploi stricte et inconditionnelle en échange de la participation. Les demandes de sécurité formelle présentent un impact minimal sur les attitudes des travailleurs qui ont fait l'objet de notre étude. La satisfaction et l'engagement s'améliorent plutôt là où les travailleurs croient que la direction va faire de son mieux pour assurer la stabilité de l'emploi. Leur croyance découle des gestes posés dans le passé et de l'histoire de leur relation, incluant la survenance de mises à pied antérieures au sein de la catégorie occupationnelle des salariés.

La réduction de la taille des établissements semble laisser un héritage qui influence la confiance future dans la direction et qui va probablement avoir un impact sur l'habileté de cette dernière à procéder à une transformation des lieux de travail. De plus, ni les garanties formelles en matière de sécurité d'emploi, ni les croyances tacites dans les efforts de la direction de stabiliser l'emploi ne viennent bonifier les effets des programmes de participation directe. C'est seulement lorsque la sécurité d'emploi est expressément liée au travail des comités de relations patronales-syndicales qu'on observe un effet positif sur l'engagement du personnel à l'endroit de l'organisation. Alors, à l'encontre des études antérieures sur l'implication où la sécurité est sentée être un élément critique du succès des programmes de participation, la présence ou l'absence d'une telle sécurité ne semble pas liée à la puissance de l'effet des programmes de participation. Les salariés de notre échantillon ne voient pas de contradiction dans l'engagement du personnel au sein d'un environnement qui ne prévoit pas de stabilité d'emploi.

Nous croyons cependant qu'une tension continue à se manifester entre l'engagement personnel et l'absence de sécurité d'emploi. Une conclusion importante et durable est à l'effet que l'insécurité d'emploi diminue la satisfaction et l'engagement. Par conséquent, un niveau plus bas de satisfaction et d'engagement peut diminuer le désir chez un salarié de participer à la prise de décisions ou de fournir un effort discrétionnaire en vue d'améliorer la performance de l'organisation. Comme telle, l'insécurité peut se traduire par un désir réduit chez le personnel de participer effectivement à des activités qui impliquent un engagement. Ceci signifie également que l'impact sur la performance des programmes de participation dans ce contexte peut être plus faible qu'on l'observerait dans d'autres circonstances moins fluides.

Une autre conclusion intéressante et surprenante est que les mises à pied n'ont pas d'impact direct sur la performance. Nous observons que l'effet des mises à pied survient par le biais du rôle que cet effet joue dans la formulation des attentes des employés à l'endroit du comportement futur de la direction. Les mises à pied antérieures dans la catégorie occupationnelle des employés diminuent leur croyance dans la volonté de la direction d'éviter d'autres mises à pied dans l'avenir. Dans ce contexte, lorsque les employés croient que la direction ne fera pas d'effort pour éviter des mises à pied additionnelles, leur degré de satisfaction et d'engagement diminue. Ceci a une implication importante, nous pensons, dans la compréhension de la manière dont les gestes de la direction vont influencer les développements subséquents au sein de l'organisation. Tout en convenant que des mises à pied peuvent être perçues comme des réponses légitimes à une pression de la concurrence, elles affectent tout de même le comportement des salariés d'une façon négative, qui se manifeste par une modification de leurs attentes à l'endroit du comportement futur de la direction des établissements.

# *The Effect of Formal versus Informal Job Security on Employee Involvement Programs*

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*This study examines the effect of employee involvement and job insecurity on employee satisfaction and commitment. A data set incorporating information from employees, managers and government sources in fifteen hospitals in a single metropolitan region in the United States is used to test these issues. In contrast to previous research, we find that workers' satisfaction and commitment persist as long as the form of employee involvement in place increases worker input and control in their jobs and as long as management is perceived to be making clear efforts to enhance the future security of workers' jobs. Employee perception of management effort to maintain employment security, however, is based on past downsizing within the organization, thus raising the potential that continued downsizing will increase insecurity and therefore will decrease both employee desire to participate in decision-making, as well as employee satisfaction and commitment to the organization.*

Employee involvement (EI) benefits both employees and firms. For employees, greater autonomy and participation in decision-making leads to more interesting work and greater job satisfaction (Kochan, Katz, and

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Mower 1984). For firms, the capacity to involve employees in ongoing organizational decisions is seen as a critical driver of organizational success. Through the incorporation of the ideas and information from employees, organizational flexibility, product quality, and productivity may improve (Adler 1993; Kochan and Osterman 1994). As a result of these benefits, employee involvement has diffused throughout firms in the United States so that some form of involvement is present in most large U.S. firms (Levine 1995).

While the benefits of employee participation are well documented, particularly the benefits to employees, a question exists as to whether or not job security is an essential complement to involvement programs, and thus whether EI programs are vulnerable to failure in the current environment of rising insecurity. Past studies of EI suggest that insecurity undermines the positive effects of involvement, leading ultimately to employee withdrawal from participation in EI programs and eventual program demise (Levine 1995; Lawler, Ledford and Mohrman 1989; Kochan, McKersie and Katz 1985; Bluestone and Bluestone 1992; Pfeffer 1998).

However, formal job security may no longer be required for employee involvement programs to be successful. Psychological contract theorists argue that workers' expectations of security have changed over the past ten years; workers may no longer expect unconditional job security since the existing volatility in competitive environments places complete security outside management control (Rousseau and Tijoriwala 1998). Instead, workers may now expect only that management will engage in good faith efforts to secure jobs. The implication of this view is that, where employees perceive management to be making such efforts, workers will participate in EI programs and the positive effects of these programs will be maintained even in the midst of restructuring and downsizing. Thus, we investigate whether formal job security is still necessary for EI programs to be effective and to deliver beneficial outcomes to workers, or whether informal job security that arises from employer good intentions and efforts is all that is now required.

We use a data set incorporating information from multiple sources to examine this issue and to explore the outcomes of employee involvement for workers in the context of insecurity. First, information from employees and managers in fifteen hospitals in a single U.S. metropolitan region is integrated to examine the impact of employee involvement and job insecurity on key outcomes for workers. We focus on satisfaction and commitment because these are important outcomes for workers in their own right. These outcomes also have critical implications for organizations because more-satisfied and committed workers are likely to generate better ideas, exert extra effort and ultimately contribute more to firm performance.

Second, we include data from seven different occupational groups within the hospitals including a broad array of skills and task responsibilities ranging from housekeeping workers to registered nurses to radiological technologists. This is unique among existing studies and enhances our capacity to generalize across occupations within firms. Third, we examine a broad array of employee involvement forms including both direct and indirect forms of participation as well as involvement within the unit (on-line), and involvement in quality improvement teams (off-line). Finally, these data are gathered from employees in hospitals that have adopted EI programs in the midst of efforts to restructure health care delivery through hospital mergers, closures, and restructuring. As hospitals have sought to develop more efficient and effective means for delivering care, administrators have adopted employee involvement programs concurrent with restructuring and downsizing. This combination provides an opportunity to understand how these initiatives within organizations affect important outcomes.

### ***EMPLOYEE INVOLVEMENT IN A CONTEXT OF INSECURITY***

Employee involvement (EI) has a long history, dating back to multiple experiments and initiatives in the 1920s, which showed productivity increases where work groups were given control over the work process (Jacoby 1983; Levine 1995). Job enrichment, socio-technical systems, quality of work life, and high involvement work systems have followed these early organizational efforts to increase employee involvement and boost employee and organizational outcomes. EI programs typically arise from the premise that employees who are performing the work are able to contribute useful insights into how to improve their jobs and the operations of the firm. The emergence of EI programs also reflects the enduring interest workers have shown in greater involvement in the workplace. For example, studies such as the Worker Representation and Participation Survey (WRPS) in 1994–95 documented continued desire for greater levels of participation in workplace decision making (Freeman and Rogers 1999). EI programs have emerged in various forms to meet these interests. In particular, employee involvement programs take both individual and collective forms, including direct involvement of workers in decision-making on their jobs or in teams, as well as involvement through union-management committees.

While studies of the performance effects of employee involvement programs have yielded mixed results, the positive effect of these practices on many employee outcomes, such as satisfaction, has been strongly

supported (Gershenfeld 1987; Marks et al. 1986; Kochan, Katz and Mower 1984). Freeman and Kleiner (2000), for example, conclude that the effect of employee involvement programs on productivity and profitability is slight, while these programs do significantly improve worker well-being. Though worker commitment to their jobs and the organization has been less studied, it too is assumed to be an important part of new high-involvement work practices and a contributor to better organizational performance (Osterman 1995; Meyer and Allen 1997). The link between employee involvement and commitment is particularly important because, even more than satisfaction, commitment fosters organizational citizenship and higher job performance (Bolon 1997; Iaffaldano and Muchinsky 1985). In sum, by increasing employee responsibility over decisions, broadening employee jobs, and providing opportunities for engaging in organizational processes, employees experience greater job satisfaction and express higher commitment to the organization.

While involvement in organizational processes increases employee satisfaction and commitment, job insecurity is expected to reduce these employee outcomes. Previous research has found a consistent negative relationship between perceived job insecurity and both employee satisfaction and commitment (Ashford, Lee and Bobko 1989; Steers 1977; Forbes 1985; Oldham et al. 1986). The negative outcomes of insecurity are particularly important because job insecurity is growing, and because, as outlined above, insecurity may undermine the viability of EI programs.

Management has both formal and informal means of reducing the threats of growing insecurity for EI programs. Past research and theory suggests that formal security policies are necessary for participation programs to be effective. Levine (1995), for example, argues that formal security guarantees are essential to reduce worker fears that their input into improving firm operations will lead to layoffs. These fears reflect the fact that, where EI is successful in increasing productivity but without expanding market share, EI programs are likely to lead to a declining workforce. That these concerns are justified is evident in the recent finding that EI in high performance work organization practices is linked with greater incidence of layoffs (Osterman 2000). Further, longer-term employment relationships are necessary to support involvement programs so firms can recoup associated selection and training costs. This is consistent with the fact that, in previous generations of EI, workers and their unions often demanded unconditional job security before they would agree to participation programs (Eaton 1990).

According to these arguments, explicit job security, whether contained in union-management contracts or personnel policies, should be associated with the success of EI programs. The precise nature of this link, however,

is less clear. The arguments of past scholars of EI imply that security operates indirectly by enhancing the positive effects of participation programs. Most simply, security gains worker compliance with EI initiatives and ensures the viability of such programs. Where jobs are secure and workers agree to take part in EI, productivity, satisfaction and commitment may also be enhanced. In this way, security strengthens the satisfaction and commitment of workers arising from EI, as workers who are secure in their jobs can be more innovative in their suggestions, and have the potential to make more-meaningful contributions and gain a greater sense of control and participation in more interesting work. A direct (or main) effect for security is also possible. As the research on worker reactions to insecurity outlined above shows, job security may also directly impact worker attitudinal outcomes.

*Hypothesis 1a: Explicit employee job security will increase worker satisfaction and organizational commitment.*

*Hypothesis 1b: Explicit employment security will interact with employee involvement to increase employee satisfaction and commitment.*

Alternatively, such formal and unconditional pledges of job security may be unlikely to be upheld, or may lack credibility in the current volatile economic environment. Consequently, these security guarantees may now have little impact on worker attitudes. What may be more powerful are employee perceptions of management intentions.<sup>1</sup>

As with formal job security pledges, managerial “best efforts” to secure jobs may directly and indirectly shape the outcomes of EI programs. Where workers perceive that managers will make good faith attempts to secure jobs in the firm, workers satisfaction and commitment to the firm are likely to increase, making participatory programs more sustainable. Further, workers may react to perceptions of managerial efforts to secure their jobs with more creative participation in an EI program, enhancing its benefits in the same way as outlined above for formal security pledges. This mechanism is similar to arguments in the literature on trust, in which it is maintained that trust—or positive beliefs about *intentions or future behaviour* of another—allow one to accept vulnerability, and to take greater

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1. A third alternative is that employees’ and unions’ expectations may shift from job security to “employment security,” placing a new emphasis on training in marketable skills. Some unions involved in union-management partnerships, for example, have allowed employers to abandon commitments to job security while holding them to commitments around broader employability. We are grateful to an anonymous referee for this insight. However, since job security was specifically the concern in the field setting we examined (as we elaborate below), we restrict our consideration to this narrower concept.

risks that may generate superior results (Rousseau et al. 1998; Dirks and Ferrin 2001).

*Hypothesis 2a: Where employees perceive that management will make good faith efforts to ensure future job security, satisfaction and commitment will increase.*

*Hypothesis 2b: Employee assessment of management good faith efforts to ensure future job security will interact with employee involvement to increase employee satisfaction and commitment.*

Overall, the present study seeks to expand our understanding of employee involvement programs within a context of employment insecurity. It examines whether formal and informal efforts on the part of managers to secure jobs directly influence worker attitudes and whether these security-guarantees also enhance the effects of participation programs. These issues are important because the capacity to maintain employee involvement may rest on whether or not these programs are able to increase worker satisfaction and commitment in an insecure environment.

## ***METHODS***

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### ***Context and Sample***

This research is conducted among employees in fifteen hospitals in a single U.S. metropolitan region. The health care industry in this region has undergone dramatic changes over the past twenty years as managed care has grown and as competitive pressures among hospitals have increased (OTA 1994). Over that time, managed care providers not only reduced reimbursements to hospitals but also demanded improvements in the quality of care. As a result, hospital managers have searched for ways to improve quality and efficiency. With employee wages comprising 40–45 percent of total hospital patient costs, savings from staffing reductions and work reorganization could dramatically improve organization financial performance.

This pressure facing hospital administrators has resulted in two competing sets of initiatives adopted within the hospitals. First, many hospital administrators developed union-management committees and direct employee involvement as a way to improve organizational performance and flexibility. Formal cooperation between unions and hospital administrators arose in the mid 1980s in response to growing pressure to restructure. Over time, cooperative efforts expanded to most local hospitals with many adopting formal committees for several unions during this time. In addition, hospitals sought to integrate employee ideas and initiative directly into the



work process through the adoption of total quality management and greater employee involvement in direct work decisions. For example, one hospital developed a cost cutting and quality improvement team of plant maintenance workers to address employee training and outsourcing. Through this process, the team provided specific recommendations that yielded multi-million dollar savings to the hospital.

At the same time that employee involvement was increasing within the hospitals, the local health care market also faced demands for broad consolidation. During the 1980s and 1990s, nearly one third of all local hospitals either closed or merged with other facilities. Whereas there were over 30 hospitals in the metropolitan region in the 1970s, fewer than 20 hospitals serve the same region today. Moreover, hospital administrators have restructured work processes and role responsibilities in an effort to increase flexibility and reduce costs. Within this sample, nearly 30 percent of the survey respondents have had to change their job location, shift, or title due to reorganization during the previous three years.

Data for this study were gathered in 1995 and 1996 from 15 out of a total population of 17 hospitals in the Minneapolis / St. Paul area. The analyses in this article are conducted on a data set developed by integrating data from two distinct sources. Data on perceived job security, employee involvement, and outcomes were collected from approximately 1,700 employees in seven occupational groups: registered nurses, licensed practical nurses, nursing assistants, dietary workers, housekeeping aides, radiological technologists, and plant maintenance workers. These occupational groups extend across a wide range of job responsibilities and educational requirements as well as union and non-union employees. The collection of data from multiple occupational groups in multiple organizations within a single region is rare among existing studies. Overall, the response rate on the survey exceeded 64 percent, an excellent response rate for such a large and diverse survey population.

The second source of data is the vice-presidents of human resources at the participating hospitals. These officials provided data on past downsizing in the hospital and the presence of a formal job security commitment. These are provided for each of the seven occupational groups.

## *Measures*

### *Dependent Variables*

*Job satisfaction.* Job satisfaction addresses employee reaction and perceptions of the nature of work, pay, and promotion (Locke 1983; Price and Mueller 1986). Job satisfaction was measured with a scale composed



of respondent's overall satisfaction with the following items: "the fairness of your pay," "your overall work," "your opportunities to get a better job in this hospital," "your involvement in decisions that affect your job," and "opportunities to develop new skills or deepen existing skills at this hospital." Responses were on a Likert scale (1 = very satisfied, 5 = very dissatisfied). The responses to all measures were reversed scored so that higher scores reflect greater satisfaction and averaged to create a single measure of job satisfaction. The Cronbach's alpha for this scale is .69.

*Organizational commitment.* Organizational commitment focuses on the idea that committed employees are loyal to the organization, identify with its goals, and wish to work hard to retain membership in it (Blau and Boal 1997). Organizational commitment is measured with 4 items: (1) "in general, the administration treats employees fairly at this hospital," (2) "I am willing to work harder than I have to in order to help this hospital succeed," (3) "I feel very little loyalty to this hospital," and (4) "I find that my values and this hospital's values are very similar." Responses were on a Likert scale (1 = strongly agree, 5 = strongly disagree). The responses to items 1, 2, and 4 were reverse scored and all four averaged together to create a single measure of organizational commitment. The Cronbach's alpha for this scale is .66.

### *Independent and Control Variables*

*Employee involvement.* Employee involvement has taken many distinct forms within firms including direct participation as part of the work process and "off-line" participation where employees are involved in teams focusing on quality improvement or cost cutting. Employees can also participate indirectly through representatives in union-management committees (Appelbaum et al. 2000; Rubinstein 2000). To address the array of mechanisms for employee involvement within hospitals, we include three distinct measures of involvement. First, we measure *employee involvement in unit decision-making* by asking employees the extent to which they participate in several forms of decision making in their work area. Specifically, employees were asked: "To what extent do you participate in decision making over the following issues: (1) setting work schedules, (2) training unit employees, and (3) defining appropriate work methods." Responses ranged from "never" to "a lot" on a four-point scale. Responses to the three statements were combined to create a single measure of employee involvement in unit decision-making (Cronbach's alpha = .62). Second, we asked employees two questions regarding their participation on teams in the hospital: (1) "Have you ever participated on a cost cutting team within this hospital?", and (2) "Have you ever participated on a quality improvement team within this hospital?" (0 = no, 1 = yes). These teams have typically

been adopted as part of a total quality management initiative within this group of hospitals. Responses to these two questions were averaged to create a measure of *employee involvement in off-line teams*. Third, we asked union leaders and hospital human resource managers when they first initiated a *union-management committee* at the hospital. Whereas some unions in some hospitals first initiated this form of involvement in decision making in the early to mid 1980s, others were only adopting union-management committees in the early 1990s. This measure is distinct for each occupation / hospital relationship and equal to the number of years a formal union-management committee has been in place. These three measures of employee involvement are kept separate in the analyses, rather than combined in an index since past research has documented that different forms of EI may have different effects (for a review see Cotton et al. 1988).

*Security policies and expectations.* To measure formal security policies, we asked the human resources vice-presidents at each hospital whether they have adopted a *formal job security* policy for each of the seven occupational groups (0 = no, 1 = yes). A second measure of job security, *managerial security efforts*, gauges workers' assessment of management behaviour in maintaining jobs even in the face of financial pressure. To measure this we asked employees: "Will the hospital make an effort to avoid layoffs in a situation where patient occupancy decreases in the hospital?" (0 = no, 1 = yes). These two measures address the role of formal job security guarantees versus a belief that management will seek to ensure security.

*Control variables.* Past research has shown that work attitudes are influenced by situational and demographic characteristics (Mowday, Porter and Steers 1982). Accordingly, we include control variables in our analysis to limit the possibilities of spurious relationships. We include tenure in the employee's present job title, race (0 = white, 1 = nonwhite), sex (0 = male, 1 = female), and education (1 = some high school, 7 = Masters degree or higher), as well as indicator variables for the occupational groups in our sample with registered nurses as the base category (nursing assistant, licensed practical nurse, dietary workers, housekeeping, radiological technologists, and plant maintenance workers). We also control for hospital size through the log of the total number of patient days in the hospital. We control for unionization with a variable that measures whether or not a union represents the employee's occupational group within the hospital (0 = no, 1 = yes).

Finally, given that we are highlighting the role of formal and informal security guarantees, it is important to control for threats to workers' jobs that might make such guarantees more meaningful. We include three measures of insecurity to account for this. First, we ask the human resources

vice-presidents whether or not there have been *occupational layoffs* for the different groups arising from downsizing during the previous three years (0 = no, 1 = yes). Second, individual experience with *restructuring* is measured by asking employees whether “in the last three years, have you had to change your location, shift, or job title due to reorganization?” (0 = no, 1 = yes). Finally, we ask employees to assess their own *perceived job insecurity* by asking them: “How likely is it that you will lose your job due to hospital downsizing in the next 12 months?” (1 = highly unlikely, 5 = highly likely).

TABLE 1  
Summary Statistics: Means and Standard Deviations

<i>Variables</i>	<i>Mean</i>	<i>Standard Deviation</i>
Satisfaction	3.27	.72
Commitment	3.41	.66
Tenure	12.1	9.2
Race	.06	.26
Sex	.86	.36
Education	3.45	1.12
Nursing assistant	.07	.25
Licensed practical nurse	.09	.29
Dietary worker	.08	.26
Housekeeping worker	.13	.33
Radiology technologist	.09	.29
Plant maintenance worker	.05	.21
Registered nurses	.50	.50
Log of patient days	10.9	.42
Union	.68	.47
Union-management comm.	2.6	4.1
EI in unit decision making	1.83	.70
EI in “off line” teams	.31	.36
Perceived job insecurity	1.93	.95
Restructuring	.29	.45
Occupational Layoffs	.28	.45
Managerial security efforts	.76	.43
Formal job security	.11	.31

## ***RESULTS***

The correlation matrix and descriptive statistics are presented in Tables 1 and 2, and regression results in Table 3. We address below the results for both employee satisfaction and organizational commitment (see

TABLE 2  
Summary Statistics: Correlations for All Variables

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
1. Satisfaction	0.51																					
2. Commitment	-0.05	0.01																				
3. Tenure	0.07	0.03	-0.12																			
4. Race	0.04	-0.02	0.16	-0.10																		
5. Sex	-0.05	-0.09	-0.08	-0.09	0.07																	
6. Education																						
7. Nursing assistants	0.09	0.06	-0.12	0.05	0.03	-0.10																
8. Licensed practical nurse	-0.10	0.03	0.09	-0.04	0.13	-0.36	-0.07															
9. Dietary worker	0.10	0.00	-0.11	0.02	-0.03	-0.15	-0.07	-0.09														
10. Housekeeper	0.05	0.07	-0.17	0.23	-0.24	-0.37	-0.09	-0.12	-0.11													
11. Radiology technologist	-0.07	0.02	-0.02	-0.02	-0.05	0.08	-0.08	-0.11	-0.10	-0.13												
12. Plant maint.	-0.07	0.02	-0.01	-0.03	-0.51	-0.03	-0.06	-0.07	-0.07	-0.09	-0.08											
13. Log of patient days	0.02	-0.02	-0.07	0.08	-0.12	0.05	-0.02	-0.06	0.02	0.07	-0.04	0.05										
14. Union	0.00	-0.11	-0.07	-0.03	-0.09	-0.06	0.03	0.06	0.02	0.04	-0.18	0.10	0.28									
15. Labor-mgmt committee	0.02	-0.05	-0.04	-0.09	0.10	0.11	0.08	0.08	-0.11	-0.16	-0.21	-0.07	0.25	0.44								
16. EI in unit D.M.	0.20	0.17	0.06	-0.02	-0.02	0.07	0.03	-0.13	0.01	-0.07	0.13	0.04	-0.04	-0.04	0.04							
17. EI in offline team	0.06	0.04	0.20	-0.05	0.17	0.14	-0.02	0.02	-0.14	-0.20	-0.08	-0.09	-0.12	-0.08	0.10	0.30						
18. Perceived job insecurity	-0.14	-0.10	-0.16	0.09	-0.03	-0.05	-0.02	0.02	0.02	0.06	-0.07	0.05	-0.09	-0.01	-0.06	-0.13	-0.06					
19. Restructuring layoffs	-0.06	-0.08	-0.04	0.00	0.04	0.08	-0.02	-0.10	-0.02	-0.04	-0.02	-0.02	-0.16	-0.06	-0.13	0.03	0.10	0.11				
20. Occupational layoffs	-0.06	-0.05	0.13	-0.07	0.05	0.08	-0.13	-0.12	-0.10	0.00	-0.04	-0.07	-0.12	0.10	-0.25	-0.05	0.02	0.13	0.09			
21. Managerial security efforts	0.23	0.27	0.05	-0.02	0.05	0.02	0.04	0.01	-0.05	0.01	-0.06	-0.04	0.13	-0.02	0.12	0.11	0.07	-0.26	-0.08	-0.17		
22. Formal job Security	0.06	0.06	-0.02	-0.07	0.05	0.00	0.10	0.02	0.00	0.01	-0.12	-0.08	0.22	0.22	0.63	0.02	-0.02	-0.04	-0.12	-0.11	0.10	

All correlations at .05 or above are significant at  $p < .01$

Table 3). Hypotheses 1 and 2 suggested that the capacity to maintain employee involvement over time arises from management formal job security practices and employee perceptions that management will seek to avoid layoffs even in the face of decreased patient levels. We find that formal job security does not significantly predict employee attitudes.<sup>2</sup> In contrast, employee perceptions that management will seek to avoid layoffs strongly predicts employee job satisfaction and commitment thus supporting hypothesis 2a. The final hypotheses (1b and 2b) address the interaction between employee involvement and these formal and informal security measures. Overall, we find very little support for the hypothesized interaction between employee involvement and job security. Apparently, employees do not perceive a contradiction between their level of job security and efforts to increase participation in decision making. The only interaction that is significant suggests that employees within an occupational group with a formal job security arrangement and longer running union-management committees exhibit higher levels of commitment to the organization. Consistent with past research on EI, the effect of long-standing union-management committees is enhanced by formal security measures. However, no other forms of participation appear to be influenced by the presence or absence of security guarantees. It is possible that only within a context of long-standing union-based participation will employees believe formal security statements made by management. Overall, however, the effect of EI on satisfaction and commitment seems separate to a great extent from security-related practices and perceptions.

Finally, results for the control variables show that job satisfaction is higher for non-white workers, for workers with lower tenure, and for workers with lower educational levels. This supports historical characteristics of employment within hospitals as very good entry level jobs for people with low human capital. Organizational commitment is higher for workers with lower educational levels and for employees not represented by a union. Controlling for the nature of union-management relations, unionization predicts lower employee commitment to the organization. Occupational group also significantly predicts the observed level of job satisfaction and organizational commitment with licensed practical nurses and radiological technologists all exhibiting lower job satisfaction than registered nurses, while nursing assistants, housekeeping aides, and plant maintenance workers exhibit higher organizational commitment.

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2. To further test whether formal security might play a unique role in unionized workplaces that it does not play in non-union organizations, we reran these equations with an interaction term for union status and formal security pledges. No significant results were found for this variable. Full results are available upon request. We are grateful to an anonymous referee for the idea to explore this more fully.

TABLE 3  
**Regression Analysis on Employee Satisfaction and Commitment**

	<i>Variable</i>	<i>Satisfaction</i>	<i>Commitment</i>	
Controls	Tenure	-.076** (.002)	-.003 (.002)	
	Race	.067** (.076)	.075 (.072)	
	Sex	.032 (.059)	.019 (.055)	
	Education	-.099** (.020)	-.037* (.019)	
	Nursing assistant	.008 (.083)	.151* (.079)	
	Licensed practical nurse	-.133*** (.076)	.116 (.071)	
	Dietary worker	.017 (.078)	.062 (.074)	
	Housekeeping worker	-.064 (.075)	.164** (.071)	
	Radiology technologist	-.123*** (.065)	.039 (.061)	
	Plant maintenance worker	-.061 (.101)	.224** (.095)	
	Log of total patient days	-.043 (.046)	-.064 (.043)	
	Union	.036 (.045)	-.116*** (.043)	
	Perceived job insecurity	-.101*** (.019)	-.033* (.018)	
	Restructuring	-.067** (.039)	-.081** (.037)	
	Occupational layoff	-.012 (.044)	.05 (.042)	
	Independent and interaction effects	Union-management committee	-.105 (.014)	-.019 (.013)
		EI in unit decision making	.211*** (.055)	.144*** (.052)
EI on off-line team		.035 (.106)	.060 (.100)	
H1:	Formal job security	-.034 (.223)	-.06 (.211)	
	Formal job security * EI in unit D. M.	-.01 (.085)	.008 (.080)	
	Formal job security * EI on off-line team	-.012 (.183)	-.125 (.173)	
	Formal job security * union-mgmt committee	.138 (.017)	.037** (.016)	
H2:	Managerial security efforts	.234** (.114)	.389*** (.108)	
	Managerial security efforts * EI in unit D.M.	-.037 (.062)	-.006 (.058)	
	Managerial security efforts * EI on off-line team	-.032 (.117)	.017 (.111)	
	Managerial security efforts * union-mgmt comm.	.0002 (.014)	-.001 (.013)	
	N=1616	R2=.15 Adj. R2=.13	R2=.14 Adj. R2=.13	

Model statistics are betas \*  $p < .05$  \*\* $p < .01$  \*\*\* $p < .001$

Consistent with past research, we also find a significant negative effect of perceived insecurity on both satisfaction and commitment. Moreover, we find that explicit personal experience with restructuring exerts a significant negative impact on employee satisfaction and commitment to the organization. In contrast, past layoffs within an employee's occupational group do not have a significant effect on either outcome.

Overall, the results on employee attitudes raise an important issue. It is clear that employee assessment that hospital managers will seek to avoid future layoffs is critical in shaping satisfaction and commitment. However, within a context of downsizing and restructuring, what shapes this perception among employees? To explore this question, we examine the impact of EI, formal job security policies, and past employee experience on employee perception that hospital administrators will seek to avoid layoffs. With the adoption of employee involvement, hospital administrators may convey the message that employees and managers must work together to remain successful. This message may be interpreted as a signal to employees that the hospital administration will seek to protect worker interests and to avoid layoffs. The presence of a formal job security policy may also suggest to employees that management is committed to maintaining employment. Finally, past experiences with restructuring or layoffs in the hospital would reduce employee assessment that management seeks to maintain employment. Overall, employees may interpret management intentions through specific experiences or management policies.

Table 4 shows the results of a Probit analysis examining the influences on employee assessments that management will seek to avoid layoffs even in the face of decreasing patient admissions. Past layoffs within the employee's occupational group and overall perceived job insecurity both shape future expectations about management behaviour. Where layoffs previously occurred within their occupational group, employees do not expect hospital administrators to try to avoid future layoffs. In addition, employees who feel less secure in their job also feel that managers will be less likely to try to avoid future layoffs. Overall, these results suggest that while past downsizing does not directly affect employee satisfaction and commitment, it may shape these outcomes through its effect on employee assessment of future management behaviour. In addition, employees represented by unions have a lower expectation that management will seek to avoid layoffs. In contrast, employees directly involved in decision-making on their unit believe that management is more likely to avoid layoffs even if patient occupancy decreases. This suggests that EI has not only direct positive effects on job satisfaction and commitment (as shown in Table 3 above), but it also indirectly improves worker attitudes through its influence on employee perceptions of management's informal security efforts.



TABLE 4  
**Effect of Employee Involvement and Insecurity on Employee Perception  
 that Management will Seek to Avoid Layoffs**

	<i>Variable</i>	<i>Management Effort to Avoid Layoffs</i>
Control	Tenure	.00 (.005)
	Race	-.11 (.160)
	Sex	.12 (.123)
	Education	.00 (.044)
	Nursing assistant	.01 (.192)
	Licensed practical nurse	-.08 (.164)
	Dietary worker	-.35* (.163)
	Housekeeping worker	.02 (.162)
	Radiology technologist	-.47*** (.136)
	Plant maintenance worker	-.22 (.209)
	Log of total patient days	.44*** (.097)
	Union	-.23* (.095)
Independent effects	Union-management committee	.01 (.017)
	EI in unit decision making	.20** (.058)
	EI on off-line team	.08 (.117)
	Restructuring	-.10 (.082)
	Occupational layoff	-.40*** (.091)
	Formal job security	.21 (.182)
	Perceived job insecurity	-.31*** (.038)
	Observations = 1616	
	Log Likelihood = -780.91	
	Chi2= 210.36	
Prob > Chi2 = .0000		
Pseudo R2 = .12		

Model statistics are betas \*  $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

## ***DISCUSSION***

In this research we explore the impacts of employee involvement, job insecurity and security policies and expectations on worker attitudinal outcomes. We study these issues among hospital workers across seven occupational groups within a single metropolitan region. Within this context, hospital administrators must seek ways to improve both the quality of care as well as their efficiency in providing care. As a result, hospital administrators have adopted extensive employee involvement during a time in which they also undertook downsizing and restructuring.

Consistent with prior research, we find first that employee involvement has direct effects on employee outcomes. Enhanced employee involvement within the unit is correlated with higher satisfaction and commitment, although this depends on the form of EI in place. We find no effect for individual participation in off-line problem solving teams or for representative participation through committees, instead finding the greatest impact when employees are able to shape the conduct of work within their unit through involvement in job definition, employee training, and setting work schedules. This is consistent with past studies that have shown little performance effect of teams or committees where they are isolated from broad changes in work organization and the nature of jobs (Levine and Tyson 1990).

We also find little evidence in this study, contrary to research on prior generations of participation programs, that successful EI programs require strict unconditional security in exchange for employee participation. Formal security pledges have minimal effect on worker attitudes in our study. Instead, workers' satisfaction and commitment improves where workers believe that management will *try their best* to secure jobs. This belief is shaped by past action and history including the occurrence of previous layoffs within the employees' occupational group. Downsizing appears to create a legacy that conditions future trust in management and that is likely to influence the ability of management to engage in future workplace change. While it is possible that the minimal benefits observed from formal job security policies occurred due to poor communication from managers, it is more likely that these plans were actively discussed due to the potential benefit in adopting them.

Further, neither formal security pledges, nor informal beliefs in managerial attempts to secure jobs, were found to enhance the positive effects of direct involvement programs. Only when formal security is linked with long running union-management committees do we observe a positive effect on employee commitment to the organization. Thus, there appear to be some union-nonunion differences in the relationship between job security

and employee involvement. Long-standing union-management cooperation may enhance the impact of formal security pledges because of greater trust developed between the parties or because it signals greater enforcement powers of the union. The effect of older union-management programs may also be more likely to be enhanced by formal security pledges because these programs were created under different expectations than were more recent ones.

Overall, contrary to past generations of EI studies in which security was assumed to be a critical ingredient in the success of participation programs, the presence or absence of formal security appears unrelated now to the strength of the effect of participation programs. Employees in our sample do not see a contradiction in employee involvement within an insecure environment. It is possible, then, that in certain circumstances there may be few negative effects of insecurity on the performance of an EI program. Workers and their unions may find that opportunities for collaboration and skill enhancement in EI programs are sufficient to compensate for insecurity of employment (Smith 2001). Or, workers may continue to support EI programs and to work to enhance firm performance even in insecure environments due to a fear of losing their jobs if they do otherwise (Drago 1998).

We do believe, however, that a tension continues to exist between employee involvement and job insecurity. One important and consistent result is that insecurity reduces employee satisfaction and commitment. As a result, lower satisfaction and commitment may reduce employee desire to participate in decision-making or to exert discretionary effort towards improving organizational outcomes. As such, insecurity may result in reduced employee desire to effectively participate within employee involvement activities. This also implies that the performance effects of participative programs in this context may be lower than in less volatile circumstances. The circumstances under which insecurity will lead to decline in performance of EI programs remains to be examined in future research.

One particularly surprising and interesting finding is that layoffs do not directly influence outcomes. While past research has found that downsizing has had negative effects on employee attitudes (Brockner et al. 1993; Brockner et al. 1994), we find that the effect of layoffs occurs through its role in shaping employee expectations regarding future management behaviour. Past layoffs within the employees' occupational group reduces their belief in management desire to avoid future layoffs. Within this context, when employees believe that management will not try to prevent future layoffs, their satisfaction and commitment declines. This has an important implication, we believe, for understanding how management

actions affect future development within the organization. While layoffs may be seen as legitimate responses to competitive pressure, they still negatively affect employee outcomes through the shift in employee expectation about future management behaviour.

### *Implications for Future Research*

This study has important implications for research on employee involvement, job insecurity and organizational restructuring. Overall, our research suggests that workers' attitudes and expectations may have shifted over time, particularly with respect to security, and to their attachment to firms and involvement in their work. This implies that some of the conclusions of past research on workers' attitudes—on, for example, the content of their psychological contracts with firms—may need to be revisited. It also suggests that one particularly fruitful area for further research would be to collect longitudinal data on worker attitudes and participation in EI. This would allow us to explore the long-term effects of declines in attitudes caused by insecurity and to examine whether this translates into reduced extra-role behaviours, including discretionary effort within employee involvement efforts, and ultimately to withdrawal from participation programs.

Finally, these findings have implications for existing research on job insecurity and worker attitudes. Insecurity has been examined in the past primarily by researchers drawing on an organizational behaviour paradigm. This research has typically focused on documenting links between individual perceptions of job insecurity and individual attitudinal outcomes, ignoring group and organizational practices that might influence insecurity and its effects. Where concrete triggers of insecurity have been considered, this has been limited to examining the effect of layoffs. While our results do show that perceived insecurity has an effect, we also find important direct effects for the concrete practices giving rise to insecurity and that these practices include the full range of current restructuring practices. In particular, worker expectations about whether management will endeavour to secure their jobs are influenced by past layoffs within the employee's occupational group. Further, employee satisfaction and commitment are influenced by reorganization that alters the location, shift or job title of workers. Thus, our work suggests that scholars seeking to arrive at a full understanding of workers' reactions to insecurity should consider not only worker perceptions, but also the context within which these perceptions arise.

### *Limitations*

One limitation to the study worth consideration is that our data are drawn only from the healthcare industry and may not be more broadly

generalizable. We have no evidence, however, that restructuring patterns in this industry differ markedly from those in others. Indeed, Cappelli et al. (1997: 66) have stated, "everyone, worker and manager alike, appears to be vulnerable to the risk of downsizing, regardless of industrial sector or the size of the company." Further, we believe the reactions of workers in healthcare to participation programs and insecurity are likely to be similar to those of other workers. For example, we replicate in this study the negative correlation between perceived insecurity and worker attitudes found for a range of other types of workers. Further, we include in the study occupations at a range of skill levels thus enhancing the generalizability of our findings.

A second possible limitation is common method bias due to the collection of many variables through employee surveys. However, incorporating information from both human resources vice-presidents and employees strengthens our data. Moreover, even where we request information from employees, in several of the measures we ask for recollection of discrete events rather than attitudes. Researchers have found that recall of discrete events, such as experience with past restructuring, is "less vulnerable to distortion" (Podsakoff and Organ 1986).

### ***CONCLUSION***

This study offers important insights into the operation of employee involvement programs in the context of insecurity. Overall, we find important tensions in the adoption of employee involvement within an uncertain workplace environment. On the one hand, we find that a shift may have occurred in employee expectations so that formal and unconditional security no longer seems to be a prerequisite of worker engagement in EI programs. Our results also suggest that maintaining EI programs may help to counter some of the negative effects arising from insecurity and restructuring. Providing workers with involvement in the decisions over the method and schedule of their work, and in training other workers, has significant positive effects on important worker attitudinal outcomes, and this is likely to also translate into better performance for the firm. Finally, from a policy perspective, our results add further weight to the existing evidence that employees desire, and benefit from, greater involvement in their work and organizations.

On the other hand, this research also raises several areas of concern for those seeking to adopt employee involvement within an uncertain environment. Insecurity decreases employee job satisfaction and commitment to the organization, and declines in these important employee attitudes may reduce the value of employee involvement within organizations. Further,

by reducing worker trust in managements' informal efforts to secure jobs, past downsizing may reduce employee desire to exert discretionary effort towards the organization. Ultimately, both of these effects are likely to minimize potential gains from employee involvement and increase the likelihood that these initiatives will fail over time.

While this research begins to explore the operation of employee involvement in current volatile organizations, it does not address the long-term effects of insecurity on the operation of these practices. Future research must continue to investigate this important relationship given the importance of employee involvement and the continued prevalence of insecurity in employee-employer relations.

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## **RÉSUMÉ**

### **L'effet de la sécurité d'emploi formelle et informelle sur les programmes de participation des employés**

Cette étude se veut une analyse des effets de la participation du personnel, de la précarité de l'emploi, des attentes et des politiques de sécurité d'emploi sur les conséquences en termes d'attitudes chez la personne au travail. Nous procédons à l'étude de ces enjeux chez les travailleurs du secteur des hôpitaux appartenant à plusieurs catégories occupationnelles au sein d'une seule région métropolitaine. À l'intérieur de ce secteur d'activités, les gestionnaires d'hôpitaux doivent rechercher des moyens d'améliorer à la fois la qualité des soins et le niveau d'efficacité. Par conséquent, ces gestionnaires ont eu recours à une importante mise à contribution du personnel au moment même où ils entreprenaient une réduction de la taille des établissements et une restructuration.

Tout comme d'autres travaux antérieurs l'ont fait, nous constatons que l'implication du personnel a des effets directs sur le sort qui lui est réservé. L'accroissement de la participation du personnel au sein d'une unité entretient une étroite corrélation avec la satisfaction au travail et l'engagement, quoique cela dépende de la forme d'implication mise en œuvre. Nous observons peu d'effets sur la participation individuelle au sein des équipes de solution de problèmes hors-ligne et sur la participation de forme représentative par le biais des comités, alors que l'effet le plus important de l'implication se manifeste là où il habilite les employés à façonner l'exécution du travail au sein de leurs unités par leur participation à la définition des tâches, à la formation et à l'établissement des horaires de travail. À l'encontre de la recherche effectuée sur des programmes de participation de générations antérieures, il nous semble peu évident que les programmes de mise à contribution des employés qui connaissent le succès exigent une sécurité d'emploi stricte et inconditionnelle en échange de la participation. Les demandes de sécurité formelle présentent un impact minimal sur les attitudes des travailleurs qui ont fait l'objet de notre étude. La satisfaction et l'engagement s'améliorent plutôt là où les travailleurs croient que la direction va faire de son mieux pour assurer la stabilité de l'emploi. Leur croyance découle des gestes posés dans le passé et de l'histoire de leur relation, incluant la survenance de mises à pied antérieures au sein de la catégorie occupationnelle des salariés.

La réduction de la taille des établissements semble laisser un héritage qui influence la confiance future dans la direction et qui va probablement avoir un impact sur l'habileté de cette dernière à procéder à une transformation des lieux de travail. De plus, ni les garanties formelles en matière

de sécurité d'emploi, ni les croyances tacites dans les efforts de la direction de stabiliser l'emploi ne viennent bonifier les effets des programmes de participation directe. C'est seulement lorsque la sécurité d'emploi est expressément liée au travail des comités de relations patronales-syndicales qu'on observe un effet positif sur l'engagement du personnel à l'endroit de l'organisation. Alors, à l'encontre des études antérieures sur l'implication où la sécurité est sensée être un élément critique du succès des programmes de participation, la présence ou l'absence d'une telle sécurité ne semble pas liée à la puissance de l'effet des programmes de participation. Les salariés de notre échantillon ne voient pas de contradiction dans l'engagement du personnel au sein d'un environnement qui ne prévoit pas de stabilité d'emploi.

Nous croyons cependant qu'une tension continue à se manifester entre l'engagement personnel et l'absence de sécurité d'emploi. Une conclusion importante et durable est à l'effet que l'insécurité d'emploi diminue la satisfaction et l'engagement. Par conséquent, un niveau plus bas de satisfaction et d'engagement peut diminuer le désir chez un salarié de participer à la prise de décisions ou de fournir un effort discrétionnaire en vue d'améliorer la performance de l'organisation. Comme telle, l'insécurité peut se traduire par un désir réduit chez le personnel de participer effectivement à des activités qui impliquent un engagement. Ceci signifie également que l'impact sur la performance des programmes de participation dans ce contexte peut être plus faible qu'on l'observerait dans d'autres circonstances moins fluides.

Une autre conclusion intéressante et surprenante est que les mises à pied n'ont pas d'impact direct sur la performance. Nous observons que l'effet des mises à pied survient par le biais du rôle que cet effet joue dans la formulation des attentes des employés à l'endroit du comportement futur de la direction. Les mises à pied antérieures dans la catégorie occupationnelle des employés diminuent leur croyance dans la volonté de la direction d'éviter d'autres mises à pied dans l'avenir. Dans ce contexte, lorsque les employés croient que la direction ne fera pas d'effort pour éviter des mises à pied additionnelles, leur degré de satisfaction et d'engagement diminue. Ceci a une implication importante, nous pensons, dans la compréhension de la manière dont les gestes de la direction vont influencer les développements subséquents au sein de l'organisation. Tout en convenant que des mises à pied peuvent être perçues comme des réponses légitimes à une pression de la concurrence, elles affectent tout de même le comportement des salariés d'une façon négative, qui se manifeste par une modification de leurs attentes à l'endroit du comportement futur de la direction des établissements.