Are you being outsourced?

Stephanie J. Morgan looks at how psychology can aid our understanding of work fragmentation

An increasing number of people are being transferred to other organisations with no choice on the matter. Often, their jobs become less secure, and they may face further switches of employer. There is an increased possibility that psychologists (particularly occupational and counselling psychologists) will meet up with clients who have experienced this process.

Outsourcing is a significant experience for those concerned, and as psychologists we should be interested in how changes in work patterns affect people and society. This article will show the many ways in which psychological theories can inform this experience and how we as psychologists can help those involved.

How did you choose your current employer? Unless you work for yourself it is likely that you chose the organisation you are currently with. Even if it was the only job available, you probably felt you had some degree of control over the process. However, employees are increasingly being transferred to other organisations through a process of forced transfer, often termed 'outsourcing'.

Outsourcing is a fast-growing phenomenon; in the UK alone thousands of staff every year are transferred through an outsourcing contract. The new coalition government policies are likely to increase outsourcing substantially. As psychologists, we may well come across those who have experienced this process, and I would argue that it is important to understand the context of this form of change at work, and how we could help.

What is outsourcing?

Although defined in many different ways (and sometimes confused with subcontracting) outsourcing involves the transfer of the management of an operation, including the people involved, to another organisation. It is different therefore to 'offshoring' where the work is transferred abroad and staff lose their job – there the literature on downsizing is crucial to understanding the impact. In outsourcing staff carry on doing the same job (in principle), often still answering the telephone with their old employer's name, but are managed and paid by an outsourcing company. In the UK staff involved in an outsourcing transfer are protected by TUPE (transfer of undertaking, protection of employment) legislation. The good news is this means they do not automatically lose their job when the outsourcing contract is signed; however the bad news is they are tightly constrained by the change process – objecting to the transfer means they are deemed to have resigned. Often the process does include some redundancies, and certainly some changes to work practices, as the outsourcing company seeks efficiencies. Marchington et al. (2005) argue that outsourcing is an example of work 'fragmentation' and discuss how this blurs the boundaries between work organisations; increasing uncertainty and ambiguity at work.

How does it feel?

My own studies (see for example Morgan, 2009; Morgan & Symon, 2006) suggest that the experience of going through an outsourcing transfer can be very emotionally charged. Staff often feel let down, angry, uncertain about the future, and a distinct lack of control. They also feel that other people do not understand their experience – hence my desire to write this article!

Although there are some similarities to other forms of organisational change, such as mergers and acquisitions, there are important differences. In particular the long-term relationship with their old employer and old colleagues (who are often viewed as the lucky ones, and have to be treated as 'clients') can lead to problems. Transferred staff find it hard to 'move-on' because of this continued contact with the old organisation.

One of the greatest issues for many individuals, linked to the feeling of lack of control, is the fact that once an outsourcing transfer happens it is just the start of a number of future employment changes, as the contracts are for a set period (often between two and seven years), and even with a longer-term contract, renegotiations and changes of

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employer can happen at any stage. (In one example I know the staff are now on their seventh transfer). The outsourcing company often has a very different 'style' to the previous employer – they are more sales oriented and as they seek to control costs will make changes to work patterns. Sometimes staff feel they have been treated badly by their previous employer (now their 'client') and remain anxious about future changes.

Research on downsizing (e.g. redundancies) suggests that those who retain their jobs experience 'survivor syndrome' (see Allen et al., 2001). They
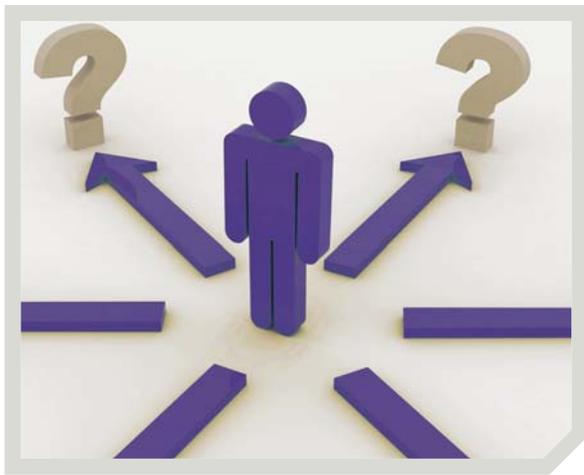
Involuntary transitions such as in outsourcing are often viewed as a threat to one's sense of control

feel a mix of guilt for being fortunate in remaining and anxiety that they may be next. However, outsourcing is more complex, as there are staff retained by the original organisation (and therefore fit the more classic definition of 'survivor') as well as those transferred (who may survive actual downsizing as well). Those transferred can feel more similar emotions to those who have lost their jobs as they are envious of the ones who remained with the original company; however there will still be some 'relief' that they have a job.

Of course, there are individual differences. Some people experience the transition with very little anxiety. Some are not attached to their outgoing organisation; indeed some feel little need for this form of attachment at all. Some are more attached to their profession, and may prefer to work in an organisation where the focus is on efficiency and feel more pride in their work – there is evidence that some outsourcing contracts achieve substantial improvements and this can make for a much better environment. One of my interviewees suggested she was extremely happy about the final outcome, feeling as if it had greatly improved her career prospects. However, even she found the actual experience of being transferred difficult, and felt that things could have been made easier.

I believe that an understanding of the psychology behind such transfers and the ongoing multiple relationships can be helpful to a range of psychologists who may increasingly meet people who have experienced this. In my research I have found many theories, often interlinked and moderated by other variables, which can inform the subject. I turn to these now.

Stress and coping
Job insecurity, often felt during outsourcing transfers, is a well-recognised stressor (Sverke et al., 2002) and can have adverse effects on the individuals involved. In particular, ongoing situations that do not allow the individual an opportunity to develop coping strategies, particularly if fairness is perceived as low, can lead to ill health (Kinunen et al., 2000).

Involuntary transitions such as in outsourcing are often viewed as a threat to one's sense of control. This can lead to a loss of a sense of meaning and belonging (Ashforth, 2001). People may spend a lot of energy trying to make the change more predictable through gossip and politicking, which can lead to further emotional charge and contagion (see e.g. Fineman, 2003). Hallier (2000) indicates that initially staff may hold security in abeyance whilst they experience the uncertainty and lack of clarity in a change process. After contract violation, employees may shift to seeing their relationship with their job as more of a transaction, and for some this will lead to long-term problems as they lose one of the fundamental reasons for work. The emotional aspects of organisational change will of course be influenced by the extent to which people are concerned about job loss, and changes to their role, but also by how much psychological attachment they have to the organisation.

Attachment theory
The relationships individuals have with their colleagues and with their organisation can be influenced by their need for attachment. Feeney and Noller (1996) suggest 'work' is functionally similar to Bowlby's (1969) construct of exploration, and the attachment function within work is a 'secure base from which to explore'. They also note that attachment behaviour is activated in adults under conditions of acute and chronic stress, which indicates that major organisational change such as outsourcing may influence individual attachment behaviour. Outsourcing, as a major change to the work situation, is likely to affect the individuals in a number of ways. The response of others can be vitally important. Kahn (1998) suggests adults at work require anchoring relationships (the adult equivalent to a secure base). Therefore colleagues in the organisation can create a temporary space for relational work, supporting each other particularly in times of crisis. It is likely

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that these relational systems may be broken and/or strengthened during an outsourcing process.

Identification

In work psychology, theories of organisational commitment and identification are used to inform our understanding of attachments to organisations (see Klein et al., 2009). There is increasing discussion in the literature regarding the changing nature of commitment to organisations due to the changes in work practice and the weakening ties to the organisation. However, attachment to the organisation is not always the most important aspect. In outsourcing, groups of people are often broken up, sometimes outsourced to different companies. Van Knippenberg and van Schie (2000) found workgroup identification is more important than organisational identification, being more strongly correlated with job satisfaction, involvement and turnover intentions. They suggest that to focus on the organisational level may miss important attachments at work. People being outsourced may feel more upset about the disruption to their workgroup than the loss of their chosen employer. In professional level outsourcing, staff are often very remote from their new employer, and are sometimes moved away from their previous employer to dedicated offices. This increasing physical separation of employees from the organisation may lead to a strain on affective attachments, although this detachment may offer a potential for them to identify more with their profession (where applicable). However, it is still unclear what impact being outsourced has on an individual's future relationship with their employers, and far more research is needed here.

Identity theory

Some people join an organisation or develop a pride in it because of the identity of the company itself. After outsourcing they have often been transferred to an organisation that they didn't choose to work for, that no one else has heard of, and that they know little about. They often have to continue answering the telephone as if they worked for their original employer, but talk to ex-colleagues from the perspective of their new employer (for example, telling them they can no longer do certain work for free). This can feel rather strange and may lead to problems identifying with either organisation, and difficulties with decision making.

Perceived organisational identity has been shown to impact on one's own sense of self as well as in-group and out-group processes (see Albert & Whetton, 1985). If staff are experiencing difficulty relating to either organisation, if they feel powerless and that their role has little meaning, they may become alienated from their work (Hirschfeld & Field, 2000).

Exchange theory

Used a great deal in terms of work motivation (something else that is likely to be influenced by a change such as outsourcing), exchange theory is also the basis of the psychological contract – a crucial concept in understanding how individuals respond to change. The popular view of this construct is as an invisible or implicit psychological contract that supplements the formal written employment contract and covers how people think they should be treated (Rousseau, 1995). Studies have shown that perceived violation of the psychological contract is linked to reduced commitment, trust, performance, and citizenship behaviour (e.g. Coyle-Shapiro & Kessler, 2002). Most staff are likely to feel that their psychological contract has been violated by a forced

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outsourcing transfer, and this could create difficult relationships with both their old and their future employers. This breaking of the psychological contract and the enforcement of shorter-term, limited-security relationships is argued to go against an employee's need for connectedness and affiliation.

Justice

Another crucial concept here is fairness – often referred to as organisational justice. Extant literature tends to focus on three specific forms of justice perceptions (Byrne & Cropanzano, 2001). *Distributive justice* considers perceptions of fairness of outcomes (e.g. equity, equality). *Procedural justice* focuses on the methods or procedures used (decision criteria, participation and control of the process), and *interactional justice* is based on the perceived fairness of the interpersonal treatment received (e.g. with sensitivity, dignity and respect). Organisational justice has been related to a range of work outcomes, including performance, turnover, commitment and cooperative behaviours. Justice perceptions might tend to be particularly negative during outsourcing because the change is often imposed, based on one-way communication, by managers who are themselves feeling stressed or distanced due to their own uncertainty, with senior managers assuming that staff are no longer their problem, as they have handed

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over responsibility to another organisation. Occupational psychologists can help managers to understand the importance of justice during outsourcing and how to implement fair practice, and in doing so reduce the extent of stress and emotional turmoil involved.

Work transitions

A number of models have been produced to explain how people experience change at work. Bowlby's (1980) phase model of grief has been used to assess responses to change at work (e.g Weiss, 1990). It is argued that stages of shock, protest and despair will occur in most situations involving a sense of loss. Grieving follows with overlapping stages of search and protest, depressive withdrawal and recovery. Many models emphasise stages of separation, transition and integration.

In outsourcing, the separation may be influenced by how the initial announcement is managed, and could be made difficult by the continued contact with the original employer. The changing or transition 'stage' may leave people in an unstructured and ambiguous state (possibly characterised by 'liminality', a state of being on the threshold of or between two different existential planes: see Turner, 1969). The refreezing or integration stage is completed when employees feel they have been fully incorporated into their new role or organisation. Whether this final state occurs in organisational change, and indeed whether it should occur, is questionable. In outsourcing, this aspect may be especially problematic as staff often lack the required level of exposure to the new organisation, which might mean that ambiguity remains.

Another useful way of trying to understand this type of change is the concept of the transition cycle (Herriot et al., 1998; Nicholson, 1990). Phases of preparation, encounter, adjustment and stabilisation are posited as cyclical and recursive. Psychologists are well placed to understand the strengths and weaknesses of these models and assess the evidence base, as well as understanding individual differences.

How can psychologists help?

Psychologists can assist individual staff, managers and the organisational decision makers in a range of ways.

Counselling and coaching psychologists are most likely to encounter individuals who are being or have been outsourced. One of the most important things, in my experience, is to show that you do understand what they are going through. Whether through career counselling, supporting people through an outsourcing transition or related outplacement, or working through a range of anxieties perhaps not immediately related to the change, discussing the impact the outsourcing transition had on your client can be cathartic. Some of the people I have interviewed were on medication for depression, and had received support from clinical psychologists. They indicated that a number of other things had been causing problems at the same time as the outsourcing, but also told me they felt it really helped being able to talk to someone who understood the implications of the transition. Managers often experience more complex issues as they feel a responsibility for the staff and yet are also worrying for themselves. They usually feel they cannot share their concerns for fear of worrying their staff, and again find it useful to discuss these aspects with someone who is not directly involved.

Coaching managers to handle the change more sensitively and effectively is also likely to be useful. Research has indicated that managers can reduce the stress of change for their employees (Yarker et al., 2008). There is often an assumption that managers know what to do when implementing potentially stressful change, yet my own research suggests this is not the case. Managers, whether or not they view themselves as 'safe', tend to avoid giving bad news. Devoting time and effort to others' distress has emotional and time costs. Despite the substantial evidence of high benefits and low cost, managers still ignore the emotional feelings of their staff. This can be explained by some psychological aspects that could usefully be explained to managers. Firstly emotional – avoidance and distancing occurs, particularly if the manager is feeling partly to blame for the problems, (e.g. 'I could have done more to protect them'). Psychological closeness has been shown to increase their own discomfort, so they subconsciously try to distance themselves and avoid talking to the staff. Furthermore a range of other cognitive-perceptual sources encourage distancing, for example managers tend to focus on the likely negative reactions, avoiding communicating bad news, and often having a tendency to blame the victim (e.g. 'If they had worked harder they would not be in this mess'). Making managers aware of these processes, and of the competencies required to reduce stress for staff, would be a useful starting point (see Folger & Skarlicki, 2001, for a useful discussion).

Some employers argue that a certain amount of insecurity is good for performance, on the basis that some individuals may attempt to make themselves more valuable by working harder (termed a 'challenge' stressor). However recent research indicates that although 'challenge' and 'hindrance' effects of stress can operate simultaneously, the negative 'hindrance' aspects are more important to performance and in most cases job insecurity will not create a positive situation for either the organisation or the individual. Some organisational decision makers also underestimate the impact on performance that this type of organisational change can have, or indeed believe that staff performance is no longer their problem once the transfer takes place. Research indicates this is far from the case (see Morgan, 2009). As psychologists, we can ensure that senior managers in organisations understand the evidence base and encourage best practice, both for ethical and good business reasons.

The future for the individual

The world of work is changing, and more people are involved in complex multiple relations through work organisations. Some jobs are being lost completely through offshoring, new jobs are being created as companies realise they need competent staff to manage the multifaceted relationships created through their sourcing decisions. A wide range of aspects of outsourcing and other forms of multi-organisational relationships could benefit from further research. The long-term implications of being regularly transferred to different organisations is an area I am particularly interested in, along with the shift to more 'virtual' working and remote forms of management.

With the right input, those who focus on their strengths and embrace the change can do very well (see Linley et al., 2010). As psychologists, we can help by demonstrating our understanding and using relevant theory and evidence to guide those involved. Let's face it – given the turbulent times in the public sector, some of us may be next.

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