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Workforce Reduction Practices in Canadian Hospitals

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The Authors

Although the authors have used multivariate statistics in examining the data, they have avoided using statistical jargon and procedures in this report. Rather, their focus is on presenting the major conclusions of the research. If you have any comments or questions about the study, please do not hesitate to contact the authors.

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Executive Summary

In the Spring and Summer of 1996, major hospitals across the country were surveyed with respect to their organizational climate, workforce management practices, and workforce reduction experiences. This report is designed to summarize some of the research findings of the study. The results represent initial findings from more than 440 acute care hospitals across Canada.

- 85% of the hospitals permanently reduced their workforce over the past two years with an average reduction of 10% of the workforce.

- Of those hospitals which had permanently reduced their workforces, 38% of the reductions were by attrition, 27% by voluntary severance, and 35% by layoff or termination. In terms of specific reductions, management and executive positions were reduced by 28%, maintenance support staff positions were reduced by 14%, and nursing staff positions by 12%.

- In response to diminishing fiscal resources, hospitals in our sample made considerable changes including cutting discretionary spending, increasing employee participation, combining job functions, encouraging innovation, increasing the use of management information systems, and reengineering work processes.

- Hospitals with different operating cultures tended to take different approaches or strategies in response to reductions in their funding levels.

- Hospitals with a strong commitment to progressive human resource management practices, a vibrant learning orientation, and a favourable union-management climate tended to perform better on a number of organizational and employee performance measures, even in the face of extensive layoffs and restructuring.

- Hospitals undergoing severe workforce reductions frequently exhibited a number of dysfunctional or negative organizational and employee consequences. However, these effects were mitigated somewhat through the use of progressive human resource management practices.

- For hospitals undergoing significant permanent workforce reduction, organizational performance was less affected by the size or severity of the workforce reductions than by the process by which these staff reductions were carried out.

Introduction

Despite the dramatic changes in health care, relatively little research has addressed the relationship between workforce reduction strategies and the impact on the organization. Questions that frequently arise include: (1) to what extent are health care organizations engaging in downsizing and restructuring?, (2) how is workforce reduction related to other activities and practices of the organization?, (3) what is the impact of workforce reduction on the organization and its members and stakeholders?, and (4) what activities or practices characterize those organizations which have successfully and unsuccessfully reduced their workforce? The present study is aimed at addressing these questions.[1]

Overview of the Study Participants

The results of this study are based on questionnaire responses from 441 acute care hospitals across Canada. Respondents, on average, had 662 employees in their organization. Further analysis revealed that 25% of the hospitals had less than 100 employees, 17% had 100 to 199 employees, 24% had 200 to 499 employees, 16% had between 500 and 999 employees, and 18% had 1,000 employees or more. About 96% of the hospitals were unionized (representing about 82% of the workforce in unionized facilities). In terms of location, 10% of the hospitals were in rural areas (population of under 1,000), 35% were in towns (10,000 residents or less), 26% were in small cities (100,000 residents or less), 13% were in large cities (500,000 residents or less), and 16% were in major metropolitan areas (more than 500,000 residents).

Organizational Climate

A series of questions asked respondents about the organizational climate (originally measured on a 6 point scale where 1 = strongly disagree and 6 = strongly agree). For presentation purposes, the responses were recoded: a response of 1 or 2 was placed in the 'strongly disagree' category, a response of 3 or 4 was put in the 'neutral category,' and a response of 5 or 6 was placed in the 'strongly agree' category (see Table 1).

The questions presented in Table 1 were used to assess the general climate of health care organizations undergoing planned workforce reductions. As indicated in the table, the strongest levels of agreement were with regard to three issues: cutbacks are done on a prioritized basis, top administrators have high credibility, and certain groups are highly vocal. On the other hand, respondents tended to disagree that long-range planning is neglected, individuals are resistant to work as teams, employees are reluctant to pass bad news up the hierarchy, there is a great deal of conflict, and top administrators are often scapegoats.

1 This study is part of a research stream exploring human resource management issues and organizational restructuring. See, for instance, T. Wagar, *Employee Involvement, Strategic Management and Human Resources: Exploring the Linkages*, Current Issues Series (Kingston: IRC Press, Queen's University, 1996) and T. Wagar, *Human Resource Management Practices and Organizational Performance: Evidence from Atlantic Canada* (Kingston: IRC Press, Queen's University, 1994).

Table 1
Organizational Climate

Statement about Organizational Climate	Respondent Perceptions (%)		
	Strongly Disagree	Neutral	Strongly Agree
1. Cutbacks are done on a prioritized basis.	6.9	24.7	68.4
2. Top administrators have high credibility.	6.6	37.0	56.4
3. Certain groups are highly vocal.	12.3	39.8	47.9
4. There is a tolerance of employee risk-taking.	19.9	42.8	37.3
5. Major decisions are very centralized.	28.8	36.8	34.4
6. There is a lot of resistance to change.	21.0	49.0	30.0
7. Employee morale is a problem.	22.1	52.7	25.2
8. Top administrators are often scapegoats.	48.1	37.2	14.7
9. Employees are reluctant to pass bad news up hierarchy.	54.8	35.6	9.6
10. Long-range planning is neglected.	63.7	27.1	9.2
11. There is a great deal of conflict.	42.5	48.6	8.9
12. Individuals are resistant to work as teams.	56.4	37.5	6.1

Workforce Management and Culture

Importance of Organizational Activities and Programs

Respondents were asked to indicate how important a variety of activities and programs were, using a six point scale with the anchors 1 = Very Low Importance and 6 = Very High Importance. Again, the responses were recoded for presentation—in Table 2, the 'Very Low' category represents an initial score of 1 or 2, the 'Moderate' category includes scores of 3 or 4, and the 'Very High' category consists of initial scores of 5 or 6.

Table 2
Importance of Organizational Activities & Programs

Activity or Program	Respondent Perceptions of Importance (%)		
	Very Low	Moderate	Very High
Employee Participation	3.6	25.5	70.9
Public/Community Relations	1.3	32.7	66.0
Employee Education/Training	2.8	37.0	60.2
Patient Education	2.1	39.8	58.1
Shared Services	3.5	38.9	57.6
TQM / CQI	6.6	35.8	57.6
Innovation	5.2	37.5	57.3
Employee Training	3.5	42.0	54.5
Program Evaluation/Review	8.2	43.1	48.7
Fundraising	29.1	31.5	39.4
Employee Cross-training	15.0	51.6	33.4
Self-managed Teams	16.4	50.4	33.2
Benchmarking	13.9	53.7	32.4
Entrepreneurial Ventures	39.2	41.9	18.9
Outsourcing	32.1	53.8	14.1
Employee Career Planning	29.6	59.6	10.8

While all of the activities were somewhat important, the most important ones included employee participation, public and community relations, employee education and training, patient education, shared services, total quality management / continuous quality improvement, and innovation. The activities receiving the lowest importance ratings were entrepreneurial ventures, employee career planning, and outsourcing.

Change in Organizational Activities and Programs

In addition to determining the importance of a variety of activities and programs, we were also interested in examining changes over the past two years. For each of the activities and programs provided in Table 3, respondents were asked to indicate the degree of change over the past two years.

Table 3
Change in Organizational Activities & Programs

	Respondent Perception of Change (%)		
Activity or Program	None/Very Little	Moderate	A Lot
Cut Discretionary Spending	5.5	29.4	65.1
Increased Employee Participation	4.8	40.5	54.7
Combined Job Functions	8.9	40.9	50.2
Increased Use of Management Info. Systems	11.9	45.0	43.1
Increased Innovation	5.7	52.1	42.2
Reengineered Work Processes	13.0	47.1	39.9
Changed Organizational Mission	29.7	36.7	33.6
Reduced / Delayed Capital Investments	36.7	30.8	32.5
Increased Joint Ventures	25.6	44.7	29.7
Increased Patient Education	10.5	60.7	28.8
Increased Fundraising	31.7	41.1	27.2
Increased Employee Training	14.3	59.4	26.3
Increased Use of Self-Managed Teams	26.5	48.8	24.6
Added New Programs / Services	32.8	44.6	22.6
Increased Use of Benchmarking	26.1	53.5	20.4
Rolled Back Wages and Benefits	64.7	17.6	17.7
Increased Use of Temporary / Contingent Workers	45.2	37.2	17.6
Increased Entrepreneurial Ventures	39.4	44.0	16.6
Eliminated Programs / Services	58.6	28.9	12.5
Increased Emphasis on Employee Career Planning	41.2	47.4	11.4
Increased Outsourcing	53.7	39.2	7.1

By far the biggest change was cutbacks in discretionary spending (with almost two-thirds of participants indicating considerable change). Other important changes included increased employee participation, combining job functions, increased innovation, greater use of management information systems, and reengineering of work processes.

The smallest changes were associated with the rollback of wages and benefits, increased outsourcing, elimination of services or programs, increased use of

temporary or contingent workers, increased entrepreneurial ventures, and increased emphasis on employee career planning.

In sum, the results indicate that the greatest changes involve the organization of work. There appears to be a movement toward critically assessing what the hospital does, empowering employees to respond to change, and changing work processes with the goal of increasing efficiency.

Organizational Culture

There is growing evidence that strategic management policies and human resource management practices must 'fit' with the culture of the organization. In the present study, four types of culture (entrepreneurial, group, hierarchical and rational) were identified. The mean scores for the four culture types are summarized in Table 4. Note that scores can range from 1 to 6 and the higher the score, the greater the presence of that culture within the organization. As the table indicates, two cultural types were most common—a group culture (which focuses on human resources) and a rational culture (which focuses on productivity and achieving goals). In addition, a hierarchical culture (which is based on formal rules and procedures) was least likely to exist. It should be underscored that there is no one 'right' culture and all four types of culture may be present in an organization in varying degrees.

Table 4
Measures or Organizational Culture

Type of Culture	Average Response
Group	4.23
Rational	4.12
Entrepreneurial	3.58
Hierarchical	3.16

The Learning Organization

The trend towards continuous learning in conjunction with the rapid changes in today's environment have led some observers to argue that the people of an organization are an important source of sustained competitive advantage and that organizations (in both health care and other sectors of the economy) need to become 'learning organizations.' Information on the degree to which hospitals are moving toward becoming learning organizations is provided in Table 5. Note that while the questions were measured on a six point scale (1 = Strongly Disagree and 6 = Strongly Agree), they were recoded for presentation purposes so that a response of 1 or 2 was placed in the 'strongly disagree' category, a response of 3 or 4 was put in the 'neutral category', and a response of 5 or 6 was placed in the 'strongly agree' category.

In terms of the trends revealed in our study, a number of hospitals are committed to providing employees with information and facilitating an atmosphere of open communications. Similarly, other important issues included employee diversity, education and development of employees, and leaders that articulate their vision and participate in implementation of strategic objectives.

However, there was weaker agreement concerning the statement that performance deficiencies lead to opportunities for increased learning, insight and understanding. Similarly, hospitals tended to not always spend a lot of effort measuring things before making decisions or scanning the environment, a practice not consistent with a quality improvement philosophy. While some hospitals are moving toward becoming a learning organization, a number of hospitals are either not striving to become learning organizations or still have a considerable distance to travel.

Table 5
Measures of the Learning Organization

Statement about Learning Organization	Respondent Perceptions (%)		
	Strongly Disagree	Neutral	Strongly Agree
Makes information accessible to everyone and facilitates an atmosphere of open communication.	3.7	31.2	65.1
Cherishes diversity of perspectives, orientations and competencies of employees.	4.8	36.2	59.1
Committed to education, growth and development of its employees.	5.3	39.4	55.3
Leaders articulate their vision and are seen to be fully engaged in its implementation.	7.3	40.8	51.9
New ideas and suggestions advanced by employees at all levels.	6.0	49.2	44.8
Supports individuals who try new things and rewards those who take calculated risks.	7.8	49.7	42.5
Spends a lot of time scanning its environment.	11.8	50.2	38.0
Spends a lot of effort on measuring things before making decisions.	12.6	57.5	29.9
People believe that performance deficiency leads to opportunities for increased learning, insight and understanding.	8.8	71.3	19.9
When bad things happen people tend to blame others rather than understand the broader picture.	31.0	53.6	15.4

Unionization and Labour-Management Relation

As noted previously, unionization was very common with 96% of the participants reporting having a labour union (on average, organizations with labour unions reported that almost 82% of their workforce was unionized).

There is a movement, at least in some organizations, to foster more cooperative relationships with organized labour. A series of questions in the survey addressed aspects of the labour-management climate. Questions were originally asked using a six-point scale with 1 indicating strong disagreement with the statement and 6 representing strong agreement with the statement. However, the results have been recoded (initial responses of 1 or 2 were placed in the ‘strongly disagree’ category; responses of 3 or 4 were included in the ‘neutral’ category, and responses of 5 or 6 were put in the ‘strongly agree’ category). Two questions address ‘fairness’ aspects

of the labour-management climate, three questions deal with 'labour-management consultation,' and individual questions focus on mutual regard, membership support for the union, and the involvement of the union in strategic decisions. A summary of the responses is reported in Table 6.

Table 6
Measures of the Labour-Management Climate

Statement about Labour Climate	Respondent Perceptions (%) Strongly Disagree	Neutral	Strongly Agree
Fairness Issues:			
1. Grievances normally settled promptly.	6.0	31.3	62.7
2. Negotiations take place in atmosphere of good faith.	4.9	37.8	57.3
Labour-Management Consultation:			
3. Union and management make sincere efforts to solve problems.	2.4	32.0	65.6
4. Management seeks union input before initiating changes.	3.4	35.0	61.6
5. Parties exchange information freely.	6.8	44.0	49.2
Other Issues:			
6. Parties have respect for each other's goals.	9.3	40.3	50.4
7. Union has strong support of its members.	12.7	51.9	35.4
8. Union involved in making strategic management decisions.	31.7	52.2	16.1

In terms of fairness issues, the results indicate some support for the statements that grievances are normally settled promptly and negotiations take place in an atmosphere of good faith (with less than 7% of respondents expressing strong disagreement with these statements). Similarly, respondents generally agreed that management consults with the union prior to initiating workplace changes. Obviously, trust and commitment are key aspects in negotiating a collective agreement and resolving grievances at the workplace; without mutual respect, the bargaining environment is characterized by adversarial labour relations and more cooperative bargaining approaches are generally precluded. Management perceptions of the degree of membership support the union has suggest moderate commitment from employees (with more than half of responses falling in the 'neutral' category). As Table 6 reveals, about 13% of respondents strongly disagreed with the statement while 35% expressed strong agreement with the statement. While employers and unions do engage in consultative relationships, a number of employers unilaterally initiate changes and the exchange of information may be

limited. Some industrial relations scholars argue that unions must become involved in the making of strategic management decisions; the results indicate that this is quite rare across the country. A number of employers do not welcome union involvement in strategic management decisions and unions may also want to leave strategic management to the employer. Still, labour-management relations are more cooperative in health care relative to other sectors of the economy.2

Preliminary results suggest that labour-management climate is strongly related to organizational performance. Union organizations with a more positive labour-management climate tended to report higher levels of overall employee satisfaction, more favourable employer-employee relations, and better organizational performance. Moreover, organizational climate was also significantly associated with more positive changes in performance measures.

Workforce Reduction Behaviour

In light of the massive changes in the health care sector, we were interested in investigating the degree to which hospitals had engaged in permanent reduction of the workforce. Overall, 85% of the hospitals reported reducing their workforce over the past two years, with an average reduction of 10.1% of the workforce. While respondents used a variety of means to reduce the workforce, on average 38% of the reductions were by attrition, 27% by voluntary severance, and 35% by layoff or termination. Relative to their private sector counterparts, hospitals tended to use less severe workforce reduction strategies (such as attrition and voluntary severance).3

Workforce Reduction of Different Work Groups

In terms of permanent workforce reduction, Table 7 underscores the impact of cuts on executives and managers. Compared with the other four groups, managers and executives were more likely to lose their jobs (with 90% of hospitals reducing the number of employees in this group). In addition, the cuts of managers and executives were much larger in number (with an average reduction of more than 28% of the work group). While the cuts involving other work groups were still severe, they were more moderate than those applied to managers and executives. This finding is contrary to the strongly-held belief that management (white collar) jobs are immune to current cutbacks or are being protected at the expense of nursing, professional, or technical staff jobs. Not surprisingly, the loss of nursing positions was found to be very closely associated with reduction in hospital beds. That is to say, nursing positions were eliminated in lock-step with the permanent closure of hospital beds.

2 Union and management perceptions of labour-management climate often differ, with management frequently being more optimistic in their assessment. For a summary of the results from a large study of union officials see T. Wagar, *Labour-Relations in Canada: A Survey of Union Officials*, Current Issues Series (Kingston: IRC Press, Queen's University, 1996).

3 For a study of workforce reduction practices in Canadian organizations see T. Wagar, Factors Affecting Permanent Workforce Reduction: Evidence from Large Canadian Organizations, *Canadian Journal of Administrative Sciences* 14 (1997): 303–314.

Table 7
Workforce Reduction of Specific Occupational Groups

Work Group	% of Hospitals Reducing This Work Group	Percentage Reduction in This Work Group
Executives / Managers	90	28.4
Nursing Staff	78	11.9
Clerical Support Staff	71	11.8
Maintenance Support Staff	69	13.8
Other Professional / Technical Staff	63	10.5

Workforce Reduction Practices

Table 8 summarizes the results relating to how workforce reduction strategies were implemented. Generally, employees did not participate in the determination of the workforce reduction strategy—however, management tended to communicate the strategy to employees.

Although results were mixed with reference to the degree employees perceived that the reduction strategy was fair and equitable, there was stronger agreement that victims and survivors were treated with dignity and respect. In addition, there were efforts to address the emotional needs of surviving employees and a long notice period was often in place to assist affected employees.

There was some agreement that early warning systems were in place to identify potential layoff conditions. While previous research has indicated that many reductions are poorly planned and not linked with strategic objectives, a number of hospitals appear to be moving away from this reactive approach to a more progressive and proactive focus.

Table 8
Workforce Reduction Practices

Statement about Workforce Reduction	Respondent Perceptions (%)		
	Strongly Disagree	Neutral	Strongly Agree
Victims and survivors of layoffs always treated with dignity and respect.	2.6	25.3	72.1
Management extensively communicates workforce reduction strategy to employees.	3.3	32.5	64.2
Before implementing workforce reduction, a long advance notification period is made to affected employees.	12.3	32.2	55.5
Early warning systems identify potential layoff conditions.	8.3	45.3	46.4
After implementing workforce reduction, great efforts are made to address the emotional needs of remaining employees.	9.8	45.8	44.4
Most employees believe chosen workforce reduction strategy is fair and equitable.	14.0	58.6	27.4
Most employees participate in determining the workforce reduction strategy.	40.3	43.5	16.2

Services to Displaced Employees

In attempting to bridge the gap from employment to the loss of one's job, organizations frequently rely on different approaches and services. Table 9 reports the use of a variety of services by hospitals participating in our study. Most common benefits, applicable to more than 80% of respondents, included recall rights and career counselling. In addition, about two-thirds (or more) of the hospitals provided retraining assistance, job search support, job referral services, and severance pay above the minimum. Less common were job skills assessment and family counselling.

Table 9
Services to Displaced Employees

Type of Service	Percentage of Respondents
Recall Rights	85
Career Counselling	80
Retraining Assistance	73
Job Search Support	71
Job Referral Services	66
Severance Pay above Minimum	66
Benefits Continuation	63
Job Skills Assessment	58
Family Counselling	47

Organizational Performance

Survey participants were asked to provide information concerning the performance of their hospital. For the nineteen items, current performance was measured using a six point scale (where 1 = Very Low and 6 = Very High). In addition, respondents were asked to indicate the extent of change in performance over the past 5 years (where 1 = Substantial Decrease and 6 = Substantial Increase). Although the performance data are based on self-reported measures, this approach has been used by a variety of researchers in industrial relations, human resource management and business strategy. Using managerial perceptions of performance has the advantage of comparing results across health care organizations providing a wide range of services. Moreover, constructing measures comparable across organizations with different health care service offerings would be very difficult, if not impossible. In addition, informed managers should generally be able to provide relatively accurate assessments of performance levels.

The nineteen measures of performance represent all four quadrants using a somewhat modified balanced scorecard approach. This perspective is able to capture hospital performance along four key dimensions that include: a) the customer perspective, b) the employee perspective, c) the operational perspective, and d) the organizational change and adaptation perspective. This framework allows one to more broadly examine performance on a number of key dimensions.

These results suggest that, even in the face of diminishing fiscal resources to the hospital sector over the past few years, hospital executives in our sample report high levels of patient care quality and patient satisfaction in their organizations. They believe that their hospitals have attained a favourable public image and that their activities continue to receive strong community support.

They also report that their organizations are highly efficient and have become even more so over the past two years. Not surprisingly, given the changes and challenges in the hospital workplace, survey respondents tend to report lower scores for employee morale and higher levels of management stress. They also indicate that the stress associated with their jobs has increased markedly in the past two years.

Table 10
Measures of and Changes in Organizational Performance

Performance Measure	Present Performance	Change in Performance
Customer Perspective:		
Patient Care Quality	5.21	3.99
Patient Satisfaction	5.02	4.09
Organization Reputation	4.87	4.26
Patient Morbidity	2.19	2.75
Employee Perspective:		
Management Stress	4.53	4.67
Nurse Quality of Worklife	4.23	3.48
Commitment to Job Security	3.96	3.51
Physician Job Satisfaction	3.87	3.47
Employee Morale	3.78	3.21
Staff Resistance to Change	3.66	3.45
Organizational Conflict	3.19	3.44
Employee Grievances	2.32	2.82
Nurse Turnover	1.84	2.44
Operational Perspective:		
Operating Efficiency	4.61	4.45
Organization Fiscal Health	4.22	3.68
Change and Adaptation Perspective:		
Community Support	4.75	4.26
Access to Services	4.68	4.04
Organizational Flexibility	4.20	4.22
Exposure to Legal Liability	2.35	2.88

Results of Statistical Analysis

While the descriptive statistics presented in the paper provide information concerning the incidence of organizational practices and programs, further statistical analyses were conducted to investigate relationships among the variables.

Among the major findings from statistical analyses are the following:

- Hospitals which have adopted more progressive human resource management practices emphasizing extensive employee involvement and participation tend to perform better on a number of organizational performance measures while securing higher employee commitment and satisfaction, even in the face of extensive layoffs and restructuring.

- Hospitals with a strong learning orientation and commitment to employee growth and development tend to perform better on a number of organizational and employee performance measures, even in the face of extensive layoffs and restructuring.

- Hospitals with a favourable union-management climate tend to perform better on a number of organizational and employee performance measures, even in the face of extensive layoffs and restructuring.

- Hospitals with different cultural orientations tend to take different approaches or use different strategies in response to reductions in their funding. For instance, hospitals with a strong hierarchical culture (stressing rules and regulations) tend to react to the fiscal challenge by merely cutting discretionary spending and eliminating programs and services, while hospitals with a strong group culture (stressing human relations and teamwork) prefer to take a more proactive approach that relies more on employee participation and involvement to determine potential savings. Hospitals in our sample with strong entrepreneurial cultures tend to favour strategies aimed at increasing innovation or revenue generation. Reengineering work processes through the use of management information systems and bench-marking were preferred strategies to reduced funding levels for those hospitals with strong rational cultures (stressing productivity and goals)

- Hospitals with more hierarchical operating cultures are less likely to have adopted more progressive human resource management practices, less likely to demonstrate a lack of commitment to organizational learning and employee development, and more likely to have lower labour-management climate scores. Moreover, those hospitals with strong hierarchical cultures did not perform as well on a number of organizational and employee performance measures.

- Hospitals undergoing planned workforce reductions which adopted reduction approaches that stress high employee involvement in policy determination, extensive management communication of the policy, procedural equity, early warning systems and advanced notification, and who treat victims and survivors with dignity and respect tend to report higher levels of employee morale, higher operating efficiency and community reputation, and fewer employee grievances. Moreover, our study findings suggest that organizational performance is less affected by the size or severity of the workforce reductions than by how these staff reductions are carried out.

Conclusion

There is substantial variation among Canadian hospitals with respect to workforce reduction practices. Hospital executives report that they continue to provide a high quality of care and receive broad community support, even in the face of significant

cuts to their operating budgets over the preceding two years. Nevertheless, the results of this study, although only tentative and preliminary, do suggest that those hospitals which have been successful at managing cutbacks are doing so with a strong and abiding commitment to progressive human resource management practices, approaches which are characterized by wide staff participation, and involvement in an organizational context that stresses learning through employee growth and development.