



A VALUES-GUIDED “DOWNSIZING”

A recent article in *The New York Times* observed that “Layoffs . . . are becoming part of the landscape in good times and in bad, as companies strive to create what amounts to a just-in-time work force.”¹ The author maintained that “layoffs are being spread more even-handedly than in the past, hitting women as often as men, top executives as well as clerks and production workers, good performers as well as bad.” The current wave of layoffs affects health care as surely as it does other sectors of the American workforce. “Downsized” employees need to be flexible enough to realistically assess their careers, examine their options, and move forward with their lives. But a Catholic health care organization must be directed by Christian values in dealing with the inevitable need for change in its workforce.

Unity Health, a subsidiary of the Sisters of Mercy Health System (SMHS), St. Louis, was a regional integrated delivery network comprising six hospitals; six long-term care or skilled nursing facilities; a medical group; and a health services corporation that operated home care, hospice, durable medical equipment, and other specialized medical services. Unity was the third largest employer in its metropolitan area. However, in June 2000, two member hospitals decided to withdraw from the system, an action that eventually caused SMHS to dissolve the system. The

*A St. Louis
System Tried
to Put Its
Employees’
Welfare
First*

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facility withdrawals required the system to reassign some Unity employees to sister institutions and to lay others off. Unity’s leaders promised to orchestrate these changes in a manner consistent with the system’s stated values of dignity, justice, service, excellence, and stewardship.

Because workforce reductions are difficult for everyone involved, administrators and managers have a tendency to “get it over with”—an attitude akin to that of a patient visiting a dentist for a necessary root canal. The problem with such an approach, as ethicist Leonard Weber observes, is that “getting the downsizing over quickly is not nearly as important as attending to all aspects and ramifications well.”² Weber believes that an administration concerned about its ethical integrity must pay attention to four considerations:

- The decision to downsize
- The criteria according to which employees are selected for downsizing
- The process in which employees are “let go”
- The rebuilding of morale among remaining employees

SMHS and Unity leaders had no choice but to downsize, given their commitment to the stewardship of resources. In a system cut by one third, job restructuring and downsizing is inevitable. Unity’s challenge lay in involving employees in the establishment of selection criteria and in ensuring that the process was just, equitable, and respectful of all involved. In even the best-planned, best-executed downsizing, some people are hurt and others feel resentment, distrust, and anger. At Unity, however, the fact that administrators and managers were careful in the downsizing may have helped to mitigate the usual bad feeling.

SELECTION

Although acknowledging the absence of clear-cut criteria for determining which employees to keep



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and which to let go, Weber argues that a just organization must bear certain necessary considerations in mind.³ Leaders of downsizing organizations should:

- Identify the criteria for downsizing clearly and make them public throughout the organization
- Refrain from making “across the board” job cuts
- Remember that downsizing is not the same as performance review
- Retain diversity goals
- Remember that seniority is relevant but not always decisive

Unity’s human resources (HR) leadership team believed that employees selected for downsizing should be allowed to apply for jobs at the two departing institutions, if they wished to do so. In making their decisions, these employees considered their previous work experience, the geographic location of the new job, the time required to travel to and from it, and the work teams they would be assigned to. They did not need to consider salary and benefits because those had been negotiated as part of the dissolution agreement, thereby ensuring a smooth transition for the employees involved.

COMMUNICATION

A clear process of communication does not remove all the anxiety associated with workforce restructuring, but it certainly can make it more bearable for all involved. Because of Unity’s stated commitment to justice, its restructuring extended throughout the organization and included employees at administrative and management levels. SMHS and Unity leaders, conferring with their HR specialists, decided that a gradual process would be debilitating for all involved and might vitiate productivity. Therefore, they set a date for the announcement and determined to follow a careful step-by-step process of communication.

The actual process, which lasted from May 17 to June 30, 2000, began with the issuance of a general communiqué by SMHS’s CEO announcing that:

- The two hospitals were leaving the system
- Various SMHS institutions had positions open
 - Some Unity employees might receive job offers from these facilities
 - These positions would be posted (the communiqué also specified where the positions would be posted and how long employees would have to consider offers for them)

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Unity’s dissolution necessitated not only a shift of jobs to the other system facilities but also some actual layoffs. Managers received information to guide them, including a script to guide their conversation with affected employees. Recognizing that downsized persons can take in only so much information after receiving the bad news, the HR staff made sure that each affected employee received a comprehensive severance packet. The packet contained:

- A letter from the CEO
- A letter from the HR department providing legal requirements about the separation process and benefits
 - Information regarding severance and/or salary continuation
 - An employee data sheet reminding affected employees of their current salary and benefit statuses
 - Rehire rights data
 - Job postings at sister institutions
 - Job postings at the two separating facilities
 - Transfer forms

The packet also contained information about an employee assistance hotline and an abbreviated question-and-answer sheet concerning matters that commonly affect people who have lost their jobs because of downsizing.

PROCESS

Out of respect for their dignity and to maintain their trust in the organization, Unity’s CEO spoke directly to system employees on the day of the downsizing. Employees gathered in meeting rooms at three facilities so that the CEO could address them personally. His comments were brief, compassionate, and to the point, and he answered questions candidly.

Managers then spoke to affected employees, giving them either the severance packet or a job offer from the separating institutions and directing them to a special Transition and Transfer Center, where they could confer with HR personnel. Those employees who preferred to put some distance between themselves and the downsizing were encouraged to go home and break the news to their families. Then, after a few days, they could return to meet with HR staff, gather their belongings, and say goodbye to coworkers.

In any large corporation—even those with clear, uniform guidelines—some managers will be less skilled than others in handling layoffs with grace, manner, and compassion. At Unity, however, clarity of process helped to allay managers’ fears and enabled them to respond to downsized employees with dignity and respect.



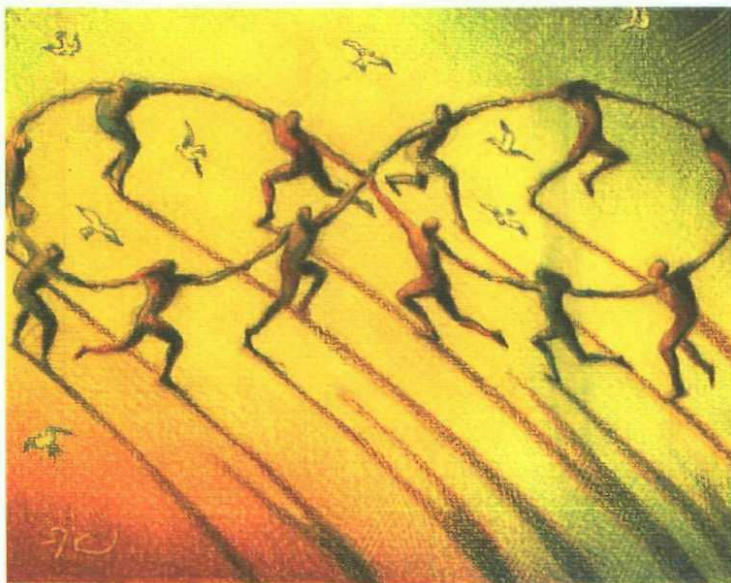
TRANSITION AND TRANSFER CENTER

Unity's leaders set up the Transition and Transfer Center at the system office on the day of the downsizing. At the center—created to provide downsized employees with compassionate and skilled counseling during a 30-day transition period—HR staff considered some downsized employees' transfers to other Unity entities, encouraged others to transfer to one of the two seceding institutions, and helped still others seek other jobs. In the week after the downsizing, the center operated from 6 am to 6 pm Monday through Saturday, offering employees as much flexibility as possible. A telephone hotline was installed for those coworkers who preferred to call.

The HR department provided downsized employees with employment specialists to guide them through the transfer process, benefits specialists to answer questions (including questions about the severance packet), and employee assistance specialists to give guidance and emotional assistance. A consulting firm offered free career counseling, resume-preparation guidance, and seminars.

Personnel from Unity's Mission Services (MS) Department were involved in all stages of the downsizing process, from establishing selection criteria to communicating with downsized workers to following up with those workers who remained with the system. MS personnel provided both spiritual and emotional support for those being downsized and critical analysis for those conducting the process. MS leaders joined HR staff in running the Transition and Transfer Center during the week following the downsizing.

SMHS prizes hospitality. Mindful of that fact, the HR staff made sure that the Transition and Transfer Center was equipped with comfortable chairs; telephones; computers; pens and writing paper; lists of downsized employees, regularly updated job opportunities, services, and contacts; and boxes of tissues, coffee, tea, Danish pastry, and cookies. Those who staffed the center were encouraged to make downsized workers as comfortable as possible during the process.



LEADERSHIP PRESENCE

Once top leaders have agreed on a decision to downsize, criteria for selection, and the steps involved in the process, they may be tempted to let the managers (who, after all, are familiar with the employees selected) handle the situation themselves. Top leaders may want to retire to the administrative suite, answering questions from the media, board members, and other stakeholders. But such an approach would neither honor the dignity of downsized employees nor assuage the anxiety and anger felt by those remaining with the organization.

In the case of Unity, its top leaders committed themselves to attending each of the three meetings at which the CEO announced the downsizing. The fact that they were visibly present all day—in the cafeteria, the hallways, and the Transition and Transfer Center—helped to support managers, reassure remaining employees, and recognize the loss of their departing colleagues.

REBUILDING MORALE

Maintaining the respect of surviving employees is a hallmark of downsizing done in the right way, Weber observes.⁴ Any company that has downsized employees must rebuild trust before it can move forward. And any Catholic health care organization—which, as a caregiver, has committed itself to helping patients' families work through their grieving process—must attend to the grief felt by surviving employees when their companions are downsized. Weber proposes three guidelines for the ethical treatment of survivors. Downsizing organizations should:

- Communicate information about organizational issues honestly and frequently
- Avoid making promises that managers may not be able to keep
- Not expect remaining employees to take on significantly increased responsibilities because of the reduced workforce

Unity's administrators and managers consciously worked to rebuild workforce morale. On the day of the downsizing, one employee asked the CEO if other layoffs were to follow. The



CEO said the system had no plan for further downsizing. However, the CEO also said, one cannot predict all the exigencies of the market and the system must, therefore, remain vigilant and flexible in the months ahead.

In the month following the downsizing, Unity kept managers informed about the various jobs posted and filled so that they could communicate to their staffs the whereabouts of former colleagues. Meanwhile, although they had to restructure the remaining positions, they made a concerted effort to ensure that this was done in an equitable manner so that no one employee would be expected to do the job of two persons.

PASTORAL/SPIRITUAL REALITY

During the days and weeks following the downsizing, MS, HR, and employee-assistance team members regularly walked Unity's halls and cafeteria, offering employees encouragement, assistance, and (when needed) information. These informal counseling and encouragement sessions provided tangible evidence that SMHS's and Unity's administrations truly viewed coworkers as the system's greatest resource and treasure.

The formal separation of the two hospitals occurred on June 30, 2001, the end of the fiscal year. SMHS's mission leaders, knowing that it is never wise to ignore the difficult and painful reality of an identity shift (including the loss of daily contact with former colleagues) and intending to ritualize this difficult passage, conducted a prayer service for all involved. In this brief service, the system's remaining employees asked for God's blessings and thanked God for the privilege of working with such wonderful and talented colleagues, both those who had departed and those who remained. Each participant received a card bearing a symbol of the Holy Spirit and inscribed with either a gift or fruit of the Spirit. Employees were encouraged to pray for and exercise that spiritual attribute in the coming weeks. The fact that many employees posted these cards in their cubicles was evidence of their desire to make the service a part of their daily lives.

REFUSING TO DENY COMPLEXITY

At the end of each day after the downsizing, MS, HR, and employee-assistance staff met to review that day's events. Some participants shared statistical information (Who had a job interview? Who had a job offer?). But others—and this was perhaps more important—related personal stories they had heard.

For example, a nurse had said that, although she understood the need for the layoff, her job at

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Unity had been the best and most fulfilling she had ever had. An information systems employee had reported that his son had an appointment that afternoon with an orthodontist; he wondered if he would be able to pay for the boy's braces. A young Finance Department executive who had just completed his first semester in pursuit of an MBA wondered whether he would be able to complete his education. A clerical worker asked for assistance in finding a new job because, she said, she was the primary caretaker for an elderly parent.

These stories served to underscore the fact that people's identities and sense of contribution to family and society are directly connected to the work they do. The stories also showed that workers view their jobs not merely as a weekly salary but as an entire package of accomplishment, a source of benefits, and an expression of self.

To do the difficult job of downsizing well, one must first start with the fact that Catholic health care is a community of people gathered to give a service to humankind.⁵ Keeping that in mind, leaders and managers cannot help but focus on respect and justice as well as stewardship when they are making and executing difficult decisions involving their workforce. To do less would be to compromise their moral integrity. Weber, writing in this journal in 1994, said, "How downsizing is handled says a lot about the nature of an organization and its leadership. Ethical downsizing is, first of all, a refusal to deny the complexity of the issues and evidence of the organization's commitment to justice and human dignity."⁶ The downsizing process at Unity gave evidence, both to the public and to its employees, of the organization's values and its commitment to its mission. □

NOTES

1. Louis Uchitelle, "Pink Slip? Now, It's All in a Day's Work," *The New York Times*, August 5, 2001.
2. Leonard Weber, "Ethics and Downsizing," *Business Ethics in Healthcare: Beyond Compliance*, Indiana University Press, Bloomington, IN, 2001, pp. 82-90.
3. Weber, pp. 84-85.
4. Weber, p. 89.
5. U.S. Conference of Catholic Bishops, Directive 1, *Ethical and Religious Directives for Catholic Health Care Services*, Washington, DC, 2001, p. 9.
6. Leonard Weber, "Ethical Downsizing," *Health Progress*, July-August 1994, pp. 24-26.