

# Employee Displacement In Catholic Health Care: Are We Unique?

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**C**atholic, faith-based, secular, for-profit, private, investor-owned — across the spectrum, health care entities face the same operating discipline: continuously improve workflows, add technology and standardize processes to enhance the value of resources expended on health care delivery. Some might argue that its special attention to the poor and vulnerable puts Catholic health care under extra operating pressure.

From a business standpoint, the changing competitive market and evolving reimbursement models affect all health care systems, requiring ongoing and critical examination of cost structures — including those associated with human resources.

For many U.S. organizations, surviving industrywide financial challenges means job cuts, often referred to as “employee displacement” or some other less stark term. For Catholic health care however, Catholic social thought makes at least two unique demands on the ministry related to individuals impacted by job loss and those that remain after displacement: (a) processes associated with selection and notification of displaced employees must be grounded in the principle of human dignity; and (b) trust-building and healing, once the process is complete, must promote the common good.<sup>1</sup>

In 2010, researcher and scholar Deepak Datta, PhD, and colleagues defined employee displacement as “a planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance.”<sup>2</sup> Datta and colleagues note that employee displacement is an intentional event in which the organiza-

tion undertakes actions grounded in its identity through policy and procedure to arrive at a particular outcome.

## WHEN JOB LOSSES HAPPEN

In the wake of the 2008 recession, the extent of employee displacement was staggering. The U.S. Bureau of Labor Statistics noted that more than 6.5 million jobs were lost between 2007-2008 alone, and in 2008, there were 21,137 “mass lay-

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off events,” defined as the filing of 50 or more initial claims for unemployment insurance benefits against an employer during a five-week period.<sup>3</sup>

Job losses happen in contexts other than an economic downturn — during mergers and acquisitions, for example — but no matter the cause, there is “significant potential to affect group and individual attitudes and behavior, disrupt relationship networks, and destroy the trust and loyalty that binds employees and their employers.”<sup>4</sup>

The literature on change management and employment transitions say that effective communication — meaning openness, accuracy, timing and completeness of the transition — can help alleviate anxiety and reduce resistance among the

workers who remain after layoffs.<sup>5</sup> The literature also says it is important to give people affected by employment transitions appropriate inputs into the processes and procedures that implement the change.<sup>6</sup>

Consulting firms specializing in communications have offered the same recommendations: communicate concisely, clearly and frequently.<sup>7</sup> They emphasize active and empathic listening — attempting to illustrate skills necessary to ensure an effective transition both for the affected employees and for the organization after the layoffs are over.

The Catholic social tradition holds that “[an employer’s] obligation is to create opportunities

## LEADERSHIP DURING DOWNSIZING

**A**s president and CEO of the Catholic health care system HSHS Eastern Wisconsin Division, which includes four hospitals and large physician multispecialty group partnership, I have been faced with the enormous challenges of how to align employment displacement with our Catholic identity.

As any CEO, one of my responsibilities is shaping the values and standards of the organization.<sup>1</sup> Leading a Catholic organization, I am driven to act with integrity always, particularly when making decisions that have an impact on the care we provide and on the lives of those with whom I serve.

Recently, we recognized market care delivery changes that were becoming the “new normal” for our region, such as rapid transition from inpatient to outpatient procedures, high-deductible health plans causing patients to defer or delay care, thus leading to lower volumes, etc. We applied various discernment tools with the executive

team and sought to understand both the operational impact of adjusting as well as preparing for unintended consequences — work processes with details that led to unexpected service or clinical problems, or negative impact on culture or relationships with the community, for example.

We applied detailed analytics, benchmarking of best practice standards — with an intent to retain resources at “patient-facing” positions — while stretching senior leadership and management roles.

It became clear that we needed to adjust our management structure. We began by eliminating five executive positions and closed some programs, but we preserved bedside ratios at bedsides. Ultimately we lost more than 70 positions.

Our commitment was to be as transparent and timely in all communications regarding the rationale for downsizing. We held weekly forums and invited questions, made frequent

rounds, communicated almost daily with the individuals who were affected and continued to widen the circle of those involved in decision-making.

The transparency of reasoning, leadership visibility and weekly updates proved useful to assure that patient safety, quality and experience remained stable. Our metrics in quality showed continued improvement despite the layoff.

Those leaders who left the organization publicly support the mission of the organization and continue to promote it in our community. Particularly in mid-size and rural markets, a value-driven approach to these challenging decisions upholds the trust in our health systems.

— **Therese B. Pandl**

### NOTE

1. A.G. Lafley, “What Only the CEO Can Do,” *Harvard Business Review*, May 2009. <https://hbr.org/2009/05/what-only-the-ceo-can-do>.

for work that accords with human dignity and provides opportunity for human flourishing.”<sup>8</sup>

This Catholic understanding of what constitutes employment offers a nuance on the nature of work in relationship to human dignity. Pope Leo XIII highlighted it in 1891 when he wrote about the dignity of work:

“Work is a fundamental right and good for mankind, a useful good, worthy of man because it is an appropriate way for him to give expression to and enhance his human dignity. The Church teaches the value of work not only because it is always something that belongs to the person but also because of its nature as something necessary.”<sup>9</sup>

Although work itself is viewed as a fundamental right and good, a particular job or employment arrangement is not a fundamental right. In other words, employment transition will likely occur often in one’s lifetime — some employee-initiated and some employer-initiated. The hallmark of a Catholic organization is how well it attends to the distinction of work as a fundamental right and good without suggesting that there exists an absolute obligation to a particular employment arrangement itself.

For Catholic organizations that have discerned employee displacement is necessary, processes associated with selection and notification of employees should attend to the following:

- Whether the employee displacement results from the elimination of a job classification, geography, fiscal resources, or volume, that communication offer a rationale commensurate to the displacement scenario. Human dignity requires integrity between reason and rationale.

- Where a selection committee is required, the committee is representative of all the areas impacted by the employee displacement.

- Selection criteria are well-defined and consistent with the reason and rationale for the employee displacement. In other words, the criteria reflect the desired outcome post employee displacement.

- Once selection criteria are developed, they should be made public. In this way, those who may be impacted understand in advance why and how.

It is important to note that we are not attempting to provide a robust employee displacement program or approach, rather that, within such an approach, fidelity to Catholic social thought demands a process related to selection and notification that is grounded in human dignity.

#### TRUST-BUILDING AND HEALING

The significance of employee displacement within an organization can have cultural reverberations for years after the decision. Displacement not only affects relationships among the

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workers directly impacted, but it can disrupt and destroy trust and loyalty between employees and their employers.

Employees often operate on a perception that employment carries a set of unspoken but mutually agreed-upon obligations: The employees contribute to the workplace through their labor, and the employer creates a stable and positive work environment. Researchers using psychological contract theory<sup>10</sup> and justice theories<sup>11</sup> have looked at what happens when such expectations are violated. They conclude this: When a perception exists that there is a relationship between employee and employer, violations of that relationship will lead to feelings of unfairness, injustice and withdrawing or withholding effort.<sup>12</sup> In short, the organization is harmed.

In a survey of workers at 318 companies who had “survived” layoffs, questions about productivity, product quality, workforce issues and management effectiveness uncovered some bleak attitudes. Of employees who participated in the 2008 survey, 87 percent said they are less likely to recommend their organization as a good place to work; 81 percent said customer service had declined; 77 percent saw more errors and mistakes being made; 64 percent said their colleagues’ productivity had declined; and 61 percent thought

their organization's prospects had worsened<sup>13</sup>

But, researchers found, if the remaining employees thought the layoff procedures were fair, the severity of the layoffs "did not have a perceptible impact on organizational trust and support."<sup>14</sup> Interestingly, the source of the information mattered as well. Employees were more likely to find the procedures fair if they heard about the layoffs from their own managers. "The findings underscore the critical role of direct supervisors in layoff announcements," researchers concluded.<sup>15</sup>

### THE CATHOLIC CONTEXT

The Catholic health ministry has a significant and fundamental context for providing employees the opportunity to work and creating the opportune conditions for people to flourish through employment. That is because Catholic social thought "recognizes that labor is people" and is not simply

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a means to the corporate end. Once the employer creates working conditions in accord with human dignity, and the individual "responsibly, honestly and accurately labors, the complex economic environment has met the obligations of Catholic social thought with regard to providing the opportunity to work."<sup>16</sup>

Fidelity to Catholic social thought is grounded in the common good. That context demands thoughtful attention to trust building and healing, which will help the ministry mitigate effects of employee displacement among survivors.

If Catholic organizations discern that employee displacement is necessary, these actions are critical for trust building and healing after layoffs:

- Leadership across all levels — especially front-line management — should be visible and present to and with employees in the midst of the displacement.

- Acknowledge and process the grieving associated with layoffs' impact on work relationships. Give special focus to the appropriate use of spiritual care services.

- Invite employees to participate in development plans aimed at fulfilling the strategic direction of the new organization.

- Remain mindful of the dissonance of time. A leadership team probably prepared for many months before making the layoff announcement. The employees who lose jobs and who remain will feel the impact for months afterward.

Human resources literature is full of titles on the theme "doing downsizing right." Putting downsizing in the context of principles of Catholic social thought does not minimize its impact, nor does it ease the associated discernment process for Catholic health.

Instead, Catholic social thought brings the wisdom of the tradition to bear on a complex issue. Focusing on only two areas — selection and notification of displaced employees, and trust-building and healing — the principles of human dignity and the common good offer unique insights into traditional strategies targeted at successful workforce transitions that come closer to "doing downsizing right."

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JOURNAL OF THE CATHOLIC HEALTH ASSOCIATION OF THE UNITED STATES

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