



# HOSPITAL LAYOFFS

**W**ork force reduction is a task that many hospital administrators, including Catholic Health Association members, are either now facing or will face in the future. Their approaches to this difficult situation are likely to vary greatly. This article describes how one facility with financial troubles decided to lay off a large number of employees. The facility took pains to plan the layoffs and helped many workers find new employment, in keeping with its values. Nevertheless, the reductions saddened all who were involved in them.

Readers will doubtless have different experiences, or at least different opinions on how to best handle such situations. (See Leonard J. Weber, PhD, "Ethical Downsizing," *Health Progress*, July-August, 1994.) Many will have questions. I hope readers will respond by either writing to the editor or contacting me directly. An open discussion of employee reductions will be beneficial for us all.

## THE CASE OF ST. JOSEPH

St. Joseph Hospital and Health Care Centers, Memphis, is the city's oldest hospital. The recent conversion of Tennessee's Medicaid program to TennCare, a managed care program, sharply reduced the census of all the city's hospitals. At



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## *One Facility's Experience With a Work Force Reduction*

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St. Joseph, the average daily census was 35 patients less than budget projections. The greater Memphis area currently has 6,100 medical and psychiatric inpatient beds, including 440 at St. Joseph. It is estimated that, by the year 2000, fewer than 2,000 beds will be needed.

**Summary** In 1994 the conversion of Tennessee's Medicaid program to managed care sharply reduced the census of all Memphis hospitals, including St. Joseph Hospital and Health Care Centers. St. Joseph's Operations Leadership group (OLG) decided that expenditures must be cut by \$8 million—\$6 million of it coming from wages and salaries—so the hospital could enter fiscal year 1995 with a balanced budget.

With the help of a consulting firm, the OLG determined that the wage and salary cuts could be realized by laying off a certain number of employees. All workers were told, in a series of round-the-clock meetings, that 162 jobs (22 managers and 140 hourly workers) would be eliminated in nine days.

The hospital's labor relations attorney approved the criteria according to which workers would be dismissed. On the designated days (one for managers, another for rank-and-file workers), the layoffs were completed in an organized manner.

The OLG had arranged with a private firm to set up a career placement center for the dismissed employees. Of the 162, 105 took advantage of the center's services. Thirty-five of those (21 percent) had new jobs within 45 days of the layoffs.

The OLG was straightforward with the local media about the layoffs. Hospital leaders calmed remaining St. Joseph workers' anxieties with a series of follow-up meetings. These sessions also provided the OLG with useful feedback on the way it had conducted the layoffs.



In July 1994 St. Joseph's senior managers, the Operations Leadership group (OLG), decided that the hospital's \$69 million operating budget must be trimmed by \$8 million so it could enter fiscal year 1995 with a balanced budget, allowing for necessary recapitalization. The cuts would come in \$2 million in nonwage expenses and \$6 million in wages and salaries. Among the tactics were reduction and renegotiation of purchased service contracts, physician fees, and other large expenses.

A productivity consulting firm provided the OLG with the data for employee layoffs.\* For planning purposes, the average full-time employee was assumed to earn \$30,000 a year (when benefits were combined with salary). The OLG originally planned to achieve its savings by eliminating 175 of the hospital's positions. In the end it targeted 162 positions, approximately 12 percent of the work force.

#### A MISSION-DRIVEN PROCESS

St. Joseph Hospital and Health Care Centers is part of the Sisters of St. Francis Health Services, Inc. (sponsored by the Sisters of St. Francis of Perpetual Adoration, Mishawaka, IN). In reducing the hospital's work force, the OLG was determined to work within the system's values. These values are:

- Respect life.
- Be proud and committed to the hospital family.
- Demonstrate concern for the patient, especially the poor, the aged, and the neglected.
- Show compassion, respect, and joy.
- Carefully allocate resources.
- Adhere to the teachings of the Catholic Church.

St. Joseph's employees, well aware of the hospital's dipping census, knew that changes of some kind were inevitable. One rumor had it that layoffs would affect 500 persons; another said the hospital would close altogether. To stem such

\*"Layoff" used to imply a temporary job loss, but as such losses have become more permanent in the 1990s, the meaning of the word has changed, too. Most of the job losses at St. Joseph Hospital were permanent.



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talk, the OLG organized a series of round-the-clock meetings at which top hospital executives explained the situation to different shifts of workers. In nine days, employees were told, 162 of their jobs were going to be eliminated. The delay in announcing specific cuts allowed the hospital's leaders to involve managers in the decisions.

Several days after the initial announcement, employees were given a list of frequently asked questions and answers to reinforce the message and ensure it was understood uniformly.

#### DECIDING WHO WOULD BE CUT

Of the positions to be cut, 140 involved hourly workers. The criteria according to which the OLG would decide which employees to keep and which to lay off were approved by St. Joseph's labor relations attorney. Employees were rated according to their:

- Skills (35 percent)
- Number of disciplinary incidents (35 percent)
- Performance evaluation averages (15 percent)

- Attendance at work (15 percent)

A 1-to-5 scale was used, with 1 being the lowest and 5 the highest. If two employees received the same score, the one with the most years of service was ranked higher.

As for the 22 management positions to be reduced, the OLG noted:

- The department's current staffing
- The department's likely future needs
- The number of management layers (The OLG intended to collapse several management layers into one.)
- The amount of money earned by the management staff member assigned to each area

In the nine days between the round-the-clock employee meetings and the day set for actual reductions, the OLG pored over employee records furnished by St. Joseph's human resources department, rated workers according to the criteria described above, and decided who would be laid off. Senior managers were involved in the decision making for their employees. The



decisions had to be made carefully because some hospital departments could not afford to lose personnel (in the previous six months, St. Joseph had cut 60 positions through attrition).

Meanwhile, the hospital's chief operating officer (COO) had hired an outplacement firm, Frye-Joure and Associates, Memphis, to assist laid-off employees. (Counselors from the firm were introduced to hospital employees at the round-the-clock meetings.) The firm set up a career training center that, for 90 days following the layoffs, would help former St. Joseph workers seek new employment.

### THE REDUCTION PROCESS

The OLG decided that, to alleviate anxiety, it was best to get the reductions over quickly. The process took two days in early September. On the first day, the 22 managers were laid off. The COO and the director of human resources sat in on these sessions, as did grief counselors from the University of Memphis and other local organizations. (These counselors were available for the next day's sessions, as well.)

On the second day, a payday, the 140 rank-and-file employees received layoff notices. This was more complicated because the process affected many more people, multiple departments, and all three work shifts. The OLG had set aside eight hours, 6 AM to 2 PM, to inform affected employees; the process was actually completed in five hours. The reductions occurred as follows:

- Five management teams were placed in various parts of the hospital. Each team consisted of a representative of the human resources department, the manager of the area in which the targeted employee worked, a "caller," and a "helper."
- The caller phoned the employee and asked him or her to come to a meeting.
- Team members informed the employee that he or she was being laid off. Details of the reduction, including a severance package, were explained. The employee was told that outplacement counselors were available, if he or she wanted counseling immediately. Ten minutes were set aside for each of these interviews, though few took that long. Some free time was also scheduled to relieve team members' stress and allow them to attend to routine work matters throughout the day.
- The helper escorted the now laid-off employee back to his or her department to pick up per-

The career placement center provided former St. Joseph workers with individual counseling, classes on writing résumés, and follow-up support.

sonal belongings and say good-bye to colleagues. Each helper, who was to console the employee and ease his or her pain and embarrassment, was a manager whom the OLG had picked for the task.

There was some variation. Some night-shift workers were laid off when their shift was over; some evening-shift workers were called in early and did not work at all. Employees on leave learned of the layoffs by phone or letter. In all cases, managers had made arrangements to have shifts covered.

### OUTPLACEMENT SERVICES

Most of the outplacement counseling of former St. Joseph workers was done at a temporary career placement center, located 10 miles from the hospital. At first, OLG members considered providing these services on the hospital campus. They eventually chose the other site because it could be leased for three months at a relatively low cost, it required little refitting and redecoration, and it was distant from St. Joseph—upset former employees visiting the center would not disrupt the hospital's routine.

The new career placement center was given fresh paint, furniture, 15 phones, four computers, two printers, and a fax machine. Bulletin boards bore recent job postings. A crucifix, a statue of St. Joseph, and a framed version of the St. Francis Peace Prayer decorated the placement center.

The hospital had negotiated a flat rate with the outplacement firm of about \$750 per person. The rate helped both organizations to manage expenses. On St. Joseph's side, the fixed outlay aided budgeting. It enabled the outplacement firm to calculate the costs of counselors, support staff, equipment, and supplies.

The career placement center, which was open from 8:30 AM to 4:30 PM weekdays, provided former St. Joseph workers with individual counseling, classes on writing résumés, and follow-up support. Of the 162 people laid off, 105 took advantage of the services offered.

### DEALING WITH THE MEDIA

The OLG had decided that it would take the story of the reductions directly to the media. St. Joseph's COO and its marketing and public relations director visited the local newspaper's healthcare reporter to explain the situation. This helped ensure that the paper presented the facts fairly and in a straightforward manner. The hospi-



tal faxed news releases to area television and radio stations. (A TV reporter, who tried to call St. Joseph's public relations person after office hours and got no answer, told listeners that "no one was available for comment," which sensationalized the story a bit.)

The OLG had earlier explained the reductions to hospital board members and physicians. Shortly after the round-the-clock meetings announcing the layoffs, the hospital sent its patients letters assuring them that the layoffs would not adversely affect the quality of their care.

### **FOLLOW UP**

Five days after the layoffs, the OLG arranged a new series of round-the-clock meetings for "surviving" employees. At these meetings, hospital leaders answered questions, explained the layoffs, and reviewed St. Joseph's mission and revised vision statements. Employees were also given questionnaires to provide feedback on the layoff process.

On the forms they returned, employees said they thought the compensation and severance package had been generous, and they also praised the counseling provided for laid-off workers and their families. However, the remaining employees did criticize the hospital for the length of time between the announcement of the layoffs and the actual layoffs.

### **MISTAKES ACKNOWLEDGED**

Looking back, OLG members now think they made mistakes on four issues:

- In the first round-the-clock meetings, employees were told that those to be laid off would receive a severance package—with no strings attached. The OLG should have said that only those laid-off workers who made good use of the career placement center would get the package. As it happened, some employees wanted to take advantage of the severance package and state unemployment benefits without looking for new jobs.

- The nine-day interval between announcement and execution of the layoffs was probably too long because it stretched out the suspense and heightened workers' anxiety. On the other hand, the interval did give the OLG time to fully explain to St. Joseph employees its reasons for the work force reduction.

- The OLG planned to lay off both the No. 1

and No. 2 managers in one hospital department. Unfortunately, when the top manager was laid off, the manager immediately below him assumed she was being promoted to the top position. Her own layoff thus came as a double shock. In such situations, the OLG learned, it is better to lay off the second in command first.

- To get feedback from the remaining managers, the OLG summoned them to a meeting the day after the layoffs. This turned out to be too soon. The managers were tired, upset, and resentful at having been called away from their departments, where they were trying to reshuffle work loads with fewer workers. The OLG learned that it is best to put off such meetings until things simmer down.

The hospital sent its patients letters assuring them that the layoffs would not adversely affect the quality of their care.

### **NINETY DAYS LATER**

Three months after the layoffs, the following statistics told the story in rough outline:

- One hundred five former employees had used the career placement center. Fifty-nine visited the center regularly. Forty-six were contacted several times by center counselors.


- Outplacement costs totalled \$77,000.

- Thirty-five former employees (27 rank and file and 8 professional) had found a new job within 45 days.

- The career placement center contacted 47 companies on behalf of former St. Joseph workers. The center located and posted 742 available jobs in the greater Memphis area.

The hospital provided remaining employees with regular updates on how their former colleagues were faring. The outplacement firm was apparently able to provide most of the counseling needed during the layoff process. Although St. Joseph's employee assistance program offered "survivor" counseling for 30 days after the reductions, few sought it. Only one person asked for help from the hospital's emergency fund for employees.

The reduction was a difficult, painful process. But the hospital's leaders believe the hospital emerged from it financially stronger and able to serve the greater good. In their view, the process was carried out in a fair, humane, and dignified manner. □

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