**Hospital Layoffs: A New Challenge for Healthcare Managers**

The prolonged economic recession in which we are now mired is impacting employees of hospitals and other healthcare providers in unprecedented ways. Nurses and other healthcare workers who have direct patient care responsibilities are being subjected to cutbacks in hours of work, layoffs, and, in some cases, termination. Historically, healthcare employees—especially those who have direct patient care duties-- have been immune from such problems. In fact, healthcare has traditionally been viewed as recession proof, thereby giving workers a sense of job security in the worst of times. No longer is this the rule.

Hospitals throughout the country, including a few in North Carolina, are dealing with problems brought on by economic forces. For example, dozens of part-time and full-time workers at Lenoir Memorial Hospital have lost their jobs and several vacant positions have been eliminated. Similar happenings have been reported in virtually every region of the country. Recently, hospitals in Alabama, Connecticut, California, Pennsylvania, and Iowa have reported significant numbers of layoffs and cutbacks. According to Bureau of Labor Statistics, as of November 30, 2008, 107 hospitals had laid off 50 or more employees, the highest number since the bureau began gathering these data. Hospitals that lay off fewer than 50 workers are not included in the data.

The basic problem confronting hospitals is a shortfall in revenues. Increasingly, a large number of patients lack health insurance, a condition worsened by loss of jobs and the benefits attached to employment. A reduction in Medicare and Medicaid reimbursement rates has also played a role. Fewer people are having elective surgeries; numerous procedures that were previously performed in hospitals are now being provided at physicians’ offices; and the number of hospitals that now offer highly specialized services such as cardiovascular procedures has increased, giving patients more options. More options often result in fewer patients at a single hospital. And, of course, hospitals must deal with costs incurred by patients who cannot pay for services rendered.

In some cases, mergers and acquisitions have resulted in the need for fewer employees. In fact, one of the reasons for merging with another healthcare provider is to achieve economies of scale. And, in a few instances, hospitals are victims of their own efficiency. When more efficient ways of providing services are found, employees sometimes discover they are no longer needed. All of these forces, working together, cause headaches for healthcare managers.

The need for layoffs, cutbacks, and termination requires healthcare managers to assume responsibilities with which many are totally unfamiliar. First, managers normally explore alternatives to layoffs. For example, the use of outside service providers may be terminated; overtime might be eliminated; converting full-time jobs to part-time may be a possibility; closing unfilled positions and freezing hiring may be options; and offering an early-retirement incentives can be explored. But if these cost cutting measures aren’t sufficient, then managers must address the more difficult issues—identifying and notifying affected workers, conducting individual discussions with impacted employees, providing guidance, and answering questions.

Layoff notices can be quite traumatic for healthcare managers; they are much more traumatic for workers. Consequently, a layoff event should be well-planned and conducted with compassion and fairness. Employees should be informed of pending layoffs or cutbacks and the policies governing such actions; personal notification letters should be prepared; personal discussions should be conducted in a professional manner; and pertinent information pertaining to separation should be shared verbally and in writing. Most importantly, all employees—both those who are being laid off and those who aren’t—need to see evidence of caring leadership.

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