Organisational strategies to counter the effects of austerity in public hospitals

Prompted by the 2008 global recession, negative or slow economic growth, tax revenue shortfalls, and dwindling foreign assistance, low- and middle-income (LMIC) countries worldwide to introduce austerity measures to address deficits and debts.

Impacting many sectors, these also led to cuts in healthcare. On average, health spending dipped by an average of 3% from 2008-2010 in 128 LMICs. As stringency measures are likely extend into the next decade due to stimulus packages and COVID-19-related debts, healthcare will keep being affected.

In South Africa (SA), the health sector's woes were compounded by internal inefficiencies, corruption, and wasteful expenditure – which heightened the need for fiscal constraint. After SA's slow economic growth by 2013 and declining health budgets from 2013-2020, cost-saving plans in the past five years included freezing posts, prioritising core items, and less infrastructure spending. Impacting services negatively, it led to: reduced staff and benefits; delayed procurements and recruitment; and a lack of equipment. It's therefore critical for health organisations to strengthen their **resilience** capacity as they adjust.

Recommendations to promote organisational resilience

- Increasing & improving communication with staff.
- Engaging different stakeholders through open communication, teamwork, and trust.
- Ensuring that employees understand what is within an organisation's control – and what not.
- Joint and collaborative planning to address reduced staff and embrace new ways of working together.
- Creating platforms for employees to voice their opinions & encouraging solutions from staff.
- Tapping into valuable ideas suggested by employees, as well as their knowledge and experiences.
- Welcoming cooperative partnerships instead of autocratic management approaches.
- Fostering good will and relations with unions.

> **Health organisation resilience** The capacity to absorb, adapt & transform when exposed to shocks – e.g., pandemics, natural disasters, or financial crises – and retain the same control over its structure and functions.

Resilience capacity requires working together well, so effective strategies facilitate cooperation. In this paper, we looked at different management styles in response to austerity – and how they impacted the organisational functioning of three hospitals. Different management styles were associated with different strategies to dealing with the system shock of austerity. We compared absorptive strategies (expecting more from fewer staff), adaptive strategies (drawing resources from elsewhere), and transformative strategies (improving employee & management relations).

METHODS

Study design A comparative qualitative case study approach, collecting data from April-September 2019 using in-depth interviews and focus group discussions, followed by interviews.

Study setting Three public hospitals in a poor, rural SA province with high levels of poverty and unemployment. All three were run and funded by the government and had active unions.

Participants Managers, shop stewards, and staff. Selection was based on purposive sampling (managers & shop stewards) and convenience sampling (available & willing staff).

Data analysis Common and divergent themes were identified across the data sources and hospitals. We used the strategies in Gilson's framework (absorptive, adaptive, and transformative) to code the data

STUDY RESULTS

Effects of austerity

- Financial decision-making was centralised on a provincial level – which required every expenditure decision to be made at weekly meetings; and the PCCC (provincial cost containment committee) was established. These measures led to delays, inflexibility, and frustration.
- Clinical staff saw the centralisation as a barrier to care, as it caused a lack of medical supplies and delayed service provision.
- Delayed recruitment processes.
- Staff shortages, reducing service provision.

Role of different management styles in responding to austerity

Hospital A had a history of poor management, communication, and mistrust among stakeholders. The new management had an autocratic leadership style and there was a breakdown in management-union relations.

Hospital B had new management with a democratic leadership style. Results included better communication and trust among stakeholders, as well as teamwork and cohesion among managers.

Hospital C had a stable management with an autocratic leadership style. There was a lack of teamwork; managers didn't attend meetings; and decisions about budget cuts were not communicated. Standard meetings with unions didn't happen and there was conflict, poor communication, and mistrust among stakeholders.

Table 1: The different strategies used in rolling out austerity

Absorptive	Transformative	Adaptive
• Clerks, laundry workers, porters also did other work. • Nurses also worked as cleaners, kitchen staff, porters, general assistants and mortuary attendants. • Junior nurses also had to manage wards and administer medication. • Food and medication borrowed from other hospitals. • Staff worked extra hours and on weekends. While paid overtime, it was sometimes late. • Experienced cleaners also had to work as housekeepers, electricians, and welders.	• When contract workers were not rehired, pharmacists were added to an outreach team to assess and monitor treatment use and adherence at clinics. • In-service training for management and shop stewards continued. • Collaborative team discussions were held on how to respond to staff shortages. • Finance and HR managers established a bilateral forum. • Staff rotations were introduced, for example, in a maternity ward.	• Non-governmental partners were asked to buy hospital supplies. • Interns were used in finance departments and supply chains. • All services that required highly skilled artisans were outsourced. • Funds from the Hospital Board were used to buy small items. • An attempt to bring in workers from the Public Works programme. It was however rejected by unions.

Outcomes & responses With different management styles – and preferences to certain strategies – being used at the three hospitals, they varied in success, and led to diverse results and reactions as set out in Table 2.

Table 2: Outcomes and responses to fiscal austerity by strategy type

Absorptive (Hospitals A and C)	Transformative (Hospitals B and Hospital C)	Adaptive (Hospital C)
• Mistrust among stakeholders; conflict and interdepartmental animosity. • Resistance from staff, increased sick leave and absenteeism. • Staff feeling demotivated and abused. • Overextended nurses did less nursing work, which impacted the quality of care. • Overall organisational performance decreased. • Management failing to work together and build resilience. • Strained connections between stakeholders & weakened institutions. • Anger towards management due to poor planning – after staff sometimes bought food for patients from their own pockets, or paper to print documents.	• Better leadership, trust, and communication. • Good cohesion and teamwork among managers. • Regular communication with all stakeholders. • A culture of support. • Enabled staff, who could speak their minds without fear. • Improved understanding between stakeholders; and unions and management moving closer. • Staff became willing participants as they were involved in resolving issues. As stakeholder engagement improved, problems were resolved. • A clear understanding of what was within the control of a hospital – and what not. • Salary queries could be dealt with quickly and accurately, and employee satisfaction increased.	• A lack of teamwork, mistrust among stakeholders, misunderstandings, conflict, and physical altercations. • Strained relations with unions. • Non-attendance of management meetings. • Poor communication about issues like budget cuts. • Poor communication about alleviating staff shortages led to failed attempts to gain the trust of unions. High workloads and pressure continued as a result. • Temporary interns in Finance and Supply departments led to timeous deliveries and services. • Outsourcing engineering and maintenance tasks reduced disruptions.

Wrapping up

Amid the challenges of austerity, health institutions are also juggling the call for universal access to healthcare. Resilience is needed to balance these priorities, while managing different stakeholders and networks. This study looked at how hospital staff and managers responded to challenges like staff reductions, a lack of equipment, and delayed procurement and recruitment processes.

It highlighted that acknowledging staff contributions and empowering them can improve loyalty, commitment, collaboration, and collective local solutions – while building and strengthening resilience. In contrast, authoritarian management styles undermined employee trust and morale, and resulted in conflict, compromised organisational decision-making, low commitment, and disengagement.

To mitigate the impact of austerity, hospital managers who promote participatory leadership and management, open communication, teamwork, and trust among all stakeholders will help to build better-functioning organisations.

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