



POLICY

BRIEF

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Strategies used to cut staff costs, and managing relations between management, unions and staff in times of austerity: Stories from public hospitals in South Africa

Low- and middle-income countries (LMICs) have been mitigating the effects of the 2008 global financial crisis, negative/slow economic growth, tax revenue shortfalls, and diminishing foreign aid through austerity measures to address deficits and debts, with public services bearing the brunt of resulting cuts. In sectors like health, it has included salaries not keeping pace with inflation, increased workloads, job insecurity, fewer development opportunities, demotivation and diminished wellbeing.

Reducing labour costs is contentious in the highly unionised public sectors of countries like South Africa (SA), often with conflict between management, unions, and staff. Trade unions were pivotal in SA's transformation and gained great symbolic power opposing the apartheid regime, yet despite subsequent changes post-apartheid, public sector institutions aren't fulfilling democracy's goals. Workers often challenge management, positions of authority are contested, and managers lacking skills have led to the near-collapse of vital state institutions.

After initially weathering the 2008 global financial storm, SA felt its effects by 2013.

Declining budgets increased wages and costs, internal inefficiencies, corruption, and wasteful expenditure soon ushered in a period of austerity for healthcare.

Recommendations to promote legitimate power balances & better staff outcomes

- Training & developing staff in labour relations to build resilience, deal with uncertainty, and enable collaboration.
- Equipping & enabling union staff to create agendas for workplace change, communicate to members, and negotiate with employers.
- Introducing collaborative systems instead of autocratic approaches.
- Embracing cooperative partnerships within organisations.
- Ensuring agreement among stakeholders on the necessary skills and rules to rebuild institutions.

Cost-cutting measures included the freezing of posts to outsourcing services and prioritising core items, as well as reduced infrastructure, training, and development.

Against the backdrop of austerity and working towards organisational renewal and better-functioning facilities, institutions need to develop trust between management and unions, and exercise legitimate power, to strike a balance between adapting to fiscal constraints and meeting the requirements of their staff.

This study examined the strategies used at three public hospitals in response to austerity. The relationships between management & unions, and unions and employees were studied using Bourdieu's field theory to see how they used these sources of power to achieve certain goals:

- **social** networks and connections (for example, shop stewards enlisting union members to oppose management strategies);
- **financial** economic control (e.g., management not filling vacant posts);
- **cultural/ideological** a shared belief (e.g., uniting union members against casualisation of labour);
- **symbolic** honour/prestige (e.g., leveraging a former social or political position); and
- **legitimate** through a consultative and democratic management style.

METHODS

Study design A comparative qualitative case study approach of three hospitals, collecting data using a combination of focus group discussions (FGD), and interviews with managers, shop stewards and staff. The data were collected from April to September 2019.

Study setting and sites The three public hospitals, in a poor, rural South African province with high levels of unemployment and poverty, are run and funded by the government and had active unions.

Participants We conducted interviews and focus groups with managers, shop stewards and stewards, as well as focus group discussions. The participants were selected through purposive and convenience sampling.

Data analysis Differences and similarities were identified across the data sources and hospitals. Bourdieu's framework was used to identify the sources of power used by stakeholders and the data was coded according to each.

STUDY RESULTS

Different management styles

Hospital A had a new management using an **autocratic** leadership style. Here, union-management meetings were no longer being held, and one union had stopped engaging with the CEO.

Hospital B After the previous management was removed (due to union protests), a new management with a **democratic** leadership style was introduced. Here, most unions were represented by experienced shop stewards.

Hospital C Its longstanding management had an **autocratic** leadership style – which typically resulted in poor labour relations. Meetings between unions and management were often not held, and managers didn't participate in meetings as their inputs didn't seem valued. Experienced union members had retired and younger staff were disinterested.

Table 1: Reduced labour costs and the power plays that ensued

Strategy	Hospital A (Autocratic leadership style)	Hospital B (Democratic leadership style)	Hospital C (Autocratic leadership style)
Outsourcing	<p>Outsourced laundry services</p> <p>OUTCOME: Failed Unions challenged the proposal & outsourcing contract cancelled after appeal to provincial government. Tension arose between unions, & between management and unions.</p> <p>SOURCES OF POWER Management: divisions between unions Unions: higher government body</p>	<p>Outsourced artisanal & maintenance tasks</p> <p>OUTCOME: Succeeded Management explained outsourced services won't threaten salaries & prevented costly breakages. Staff felt assured and safe. Unions and staff accepted and trusted management.</p> <p>SOURCES OF POWER Management: legitimate – based on participatory processes Unions: none used, agreed with strategy</p>	<p>Artisanal & maintenance tasks given to current staff with other skills</p> <p>OUTCOME: Deteriorating relations Immediate managers gave staff tasks; unions not involved. Discontent about no extra pay/ growth. Union-member & union-management relations suffered.</p> <p>SOURCES OF POWER Management: financial (no extra pay) & cultural (staff felt responsible to hospital) Unions: none</p>
Bringing in free, cheaper staff	<p>NOT APPLIED</p>	<p>Finance interns</p> <p>OUTCOME: Succeeded Management clarified finance posts being used for other appointments; unions accepted proposal. Backlogs cleared; orders on time; decreased workload.</p> <p>SOURCES OF POWER Management: legitimate – based on participatory processes Unions: none used, agreed with strategy</p>	<p>Extended Public Works Program</p> <p>OUTCOME: Failed Temporary EPWP workers chased away; continued staff shortages; tensions between unions flared.</p> <p>SOURCES OF POWER Management: division between unions Unions: ideological opposed casualisation of labour); social (mobilised members to protest)</p>
Making current staff do more	<p>Staff did more out of fear, security cameras installed.</p> <p>OUTCOME: Deteriorating relations Staff did more out of fear; felt used and dissatisfied. Some refused, services were disrupted. Cameras installed in kitchens, expanded to wards and nursing stations. No functional Ill-health Committee but was revived. Employees who did not qualify come back to work; some vacated positions were filled others not</p> <p>SOURCES OF POWER Management: financial (not hiring more staff); cultural (staff felt responsible to hospital community); symbolic (supervisory power) Unions: None for overall strategy. In case of cameras used social network power but failed.</p>	<p>Participants consulted on how to manage workload</p> <p>OUTCOME: Motivated staff Staff were consulted on managing their workload & saw benefits to learning new skills. They felt supported and motivated. Hospital had functional Ill-Health Committee to review health status of staff on sick leave.</p> <p>SOURCES OF POWER Management: legitimate – based on participatory processes Unions: none used/agreed with strategy</p>	<p>Staff did more than their defined roles out of fear</p> <p>OUTCOME: Deteriorating relations Staff did more out of fear and were sometimes threatened. They felt used and dissatisfied. No functional Ill-health Committee but was revived. Employees who did not qualify come back to work; some vacated positions were filled others not</p> <p>SOURCES OF POWER Management: financial (not hiring more staff); cultural (staff felt responsible to hospital community); symbolic (supervisory power) Unions: none</p>

All three hospitals employed different versions of **outsourcing strategies** to reduce labour costs. Hospital A decided to **outsource laundry services**, leading to tensions between the unions at the hospital, and between management and unions. At hospital B, **artisanal and maintenance tasks were outsourced**, but management clearly communicated the reasons for this. **Artisanal and maintenance tasks were given to current staff with other skills** at Hospital C. This contributed to a situation of deteriorating relationships between management and staff.

Some hospitals decided to bring in **free, less expensive staff** to reduce labour costs. While this strategy was not used at Hospital A, hospital B brought in **finance interns** successfully. At Hospital C, temporary **Expanded Public Works Programme (EPWP) workers** were brought in, but they were chased away by workers and unions.

At all three hospitals, **staff were expected to do more than their current roles** to cope with demands at the hospital. One hospital proposed **security cameras** and some unions objected while others supported the plan. Most unions worried about privacy when the cameras were installed, but none challenged management. Evidence of staff sleeping on duty and regularly arriving late led to them being disciplined. Management used **divisions** among unions to their advantage, while unions used **social** power when they tried to band together.

While Hospital B had an effective **incapacity leave** committee minimising conflict, these had been defunct at the others for years. At these hospitals, they were revived after concerns were raised, and staff returned to work or were granted ill-health retirements (and replaced).

WRAPPING UP

The findings in this study emphasised the importance for public sector managers of creating and maintaining legitimate power among key stakeholders in times of austerity. Studying the interactions of management, unions, and staff as they adapted to reduced labour costs, we found different uses of power leading to different outcomes.

Relying on financial and cultural power to exert authority resulted in divisiveness, disloyalty, and strife. Collaborative approaches and participatory engagement based on clear communication and a willingness to reach consensus earned the trust, cooperation, and respect of both unions and staff.

Ultimately, institutions, and managers that lead them, need to strike a balance between reduced resources and the needs of staff. To do this, they need competent unions leaders, meaningful consultation, transparency, and the trust of staff to develop legitimate power.

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