

# COST EFFECTIVE HUMAN RESOURCE DEVELOPMENT IN HEALTH CARE

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The term human resource development (HRD) was coined as recently as 1971 or '72 and many managers today still use terms like "human productivity" or "employee motivation" to describe its activities. It is not a theory and it's not a scientific concept. It is a catchall term, like mental health or community medicine, encompassing a wide range of organizational processes, structure and functions which contribute to organizational productivity and employee satisfaction.

Our hospital's management sees HRD as focused on the managing and developing of human resources at work. Its activities deal with planned change in the work itself and with the realignment of task-decision structures. It involves a wide range of subfields from the organizational and behavioral sciences such as manpower planning, career development, professional and technical training, and organizational development.

Effective human resource development should not be seen as something that can be merely delegated to an HRD department and forgotten. Rather, human resources development is a continuous process which starts with and is led by the chief executive officer (CEO). The CEO is the central link in bringing about organizational improvement. For example, because the CEO is a model, the top model, for the rest of the organization, a negative chaotic leadership climate in the top team will spread to the rest of the organization. He or she is shaping the way in which power and authority are used in the organization. When the CEO develops a positive and productive



work culture within his or her own team, subordinates will do the same within their work units, and the subordinates' subordinates will do the same. It links down through the organization.

For example, four years ago we had a total top-management change in our hospital. The climate of the hospital was negative; top-management leadership had been weak and negative; employees had little pride in their work and the hospital was developing a reputation as an institution that really didn't provide quality patient care.

- Attrition in the nursing staff was 32 per cent. Considering that it costs \$1,018 to recruit one registered nurse and \$850 for orientation, the high attrition was extremely expensive.

- Absenteeism was very high.
- Grievances were averaging 15 a year.
- Patient complaints were aver-

aging 65 per cent.

- Loss from our inventory and distribution systems for linen alone was averaging \$40,000 a month.

- Morale was poor.

Clearly, productivity was at a very low ebb. What to do? Three years ago, our CEO began to build a human resource management system which has resulted in significant cost savings to the hospital and there is every indication that it has contributed greatly to the improved quality of patient care. This resulted in . . .

- Attrition among RNs dropping from 32 per cent to 12 per cent in two years and the YTD is averaging six per cent.

- Absenteeism (or call-ins) averaging about four or five a day.

- Grievances dropping from 12-15 yearly to two during 1976.

- Recent diagnostic studies indicate morale is high and that the majority of employees at all levels now feel they are a contributing part of a growing, innovative, dynamic institution. This pride is reflected in a variety of ways — from the employees' freedom to suggest improvements to the intangible expression of professionalism in the behavior and dress of the employees and their concern for the appearance of the physical plant.

## What Happened?

What happened? The CEO had a dream and made his dream a reality. He assembled a competent, high-powered top - management team and introduced the concept of "human resource management." An interdisciplinary group of 12 professionals was formed into an HRD unit for the purpose of supporting the CEO and all other levels of management in their efforts to meet organizational goals and objectives through the effective management of its people, its technology, and the organizational processes that help

workers communicate and apply their knowledge and skills to their jobs.

To support the concept of role modeling, six well-respected line managers were brought into the department to work with six OD trainer, clinical, consultative types. And we set about our job of supporting the CEO in his renewal of the hospital.

My intention is to present three concepts central to the development of a cost-effective human resource management system; to briefly outline our model and lastly to cite our evaluation procedures to measure our impact on quality care and cost savings to the hospital. In considering human resource development in a hospital, for example, we must be aware that we are dealing with a system which is in dynamic interaction with the community it serves.

Indeed, we are dealing not with an organization in isolation, but a complex social system.

### Environmental Pressures

Significantly impacting on the hospital system are a variety of environmental factors. For our purposes here, I will focus on those factors specifically relating to the developing and managing of human resources.

1. The complexity and specialization of medical technology necessitates a labor-intensive industry. Ongoing advancements in medical technology require larger and larger numbers of trained health-care personnel to operate the sophisticated facilities required to support this technology. As a result, 57.5 per cent of all hospital expense is personnel.

2. The *obsolescence rate* of all employee classifications is accelerating (professional, technical, service and maintenance).

3. Increased social pressures and federal pressures for Civil Rights and Affirmative Action compliance have mandated the fuller utilization of minorities and women in the work force. Consequently, many health-care institutions are investing heavily into upward mobility programs and training of minorities for jobs at all

levels of the occupational ladder.

4. The national trend toward boredom or alienation among workers is often reflected in increases in absenteeism, turnover, alcoholism and drug abuse. The Ford Foundation reports that there are now more people in the adult labor force with at least one year of college than there are higher-level jobs to absorb them.

### "Dead-End Careers"

Many hospital workers are bumping into dead-end careers. They enter technical jobs typically that have only two levels — technician or chief technician. Unfortunately, most institutions do not aggressively develop people from within to assume larger or more diversified areas of responsibility. Health institutions tend to hire for specialized or supervisory and managerial positions predominate from the outside.

5. The consumer demand for cost containment is increasing. It is significant to note that national expenditures for health care quadrupled from \$25.9 billion in 1960 to \$104.2 billion in 1974.

6. Quality assurance and mandatory continuing education: Because of the need to continually update clinical knowledge as well as the procedural changes that typically accompany new technologies, many accrediting and licensing bodies require mandatory continuing education units for accreditations and for licensure.

For example, the Joint Commission on Hospital Accreditation requires that hospitals have certain education programs such as for the anesthesia services, nursing, nuclear medicine, medical records and various special-care units.

The issue of mandatory continuing education is made even more complex because of pressures from our third-party payors. For example, Medicare will not reimburse for laboratory costs if our pathology department is not accredited by the College of American Pathologists and/or the Center for Disease Control in Atlanta. These regulators require a certain amount of training, continuing education, licensure, certification and experience for the technolo-

gists.

Consequently, financial reimbursement to the hospital from one party (in this example it's Medicare) is dependent upon accreditation from two other parties (College of American Pathologists and CDC) which is dependent upon mandatory continuing education for professional staff in order for them to maintain their licenses!

### Focus of HRD

What HRD specifically focuses on in a hospital (or any other system) are the core processes by and through which resources (money, facilities, people) are developed and managed.

The *goals* of a system usually emanate from the organization's mission statement. The interrelationship of various levels of goals and objectives is typically an area of considerable tension in organizations. The application of HRD technology can help managers manage these conflicts creatively and constructively.

The *technology* and the tasks of an organization are direct results of the organization's goals. For example, the actual tasks required to care for a surgical patient are highly dependent upon the technological systems that are available.

*Organizational structure* is influenced by the technology as well and concepts of task groupings such as units, departments and divisions. How these task groupings relate to one another constitutes the design of the work flow.

The *human social system*, the employees, are influenced by four things: their own skills and abilities as workers; the management style and philosophy of their superiors and the superior's superiors; the formal personnel system (such as staffing, rewards, performance reviews, and collective bargaining) and the informal norms of their work group.

These four core processes or subsystems are in a dynamic balance with one another. Change in one system will likely impact on another. For example, a technological improvement such as switching from a manual to a computerized on-line admitting system in our hospital significantly im-

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pacted on the design of jobs and work flow of people in three separate departments — not to mention the change in skills required to do the job.

### **Human Resources Management Model**

We believe we have pioneered in the development of a human resource management model which effectively helps to manage these core processes. Our model deals with three critical properties of human resource management: development, utilization and engineering:

**1. Human Resource Development:** (Focuses on the human-social system of the organization.) Activities include:

- *Career development* (counseling; career planning; educational and occupational referral services; tuition assistance)

- *Staff development* or continuing education (clinical skill training to either maintain, advance or refresh current skill levels; new product usage; interpersonal skill development; in-house Bachelor and Associate Degree Programs in Nursing)

- *Upward Mobility programs* (GED; secretarial training; medical secretarial training)

- *Orientation processes* (new employee training; new graduate internship; RN refresher training)

- *Pre-Supervisory assessment programs* (assuring an internal supply of competent managerial candidates for promotion whenever vacancies occur)

**2. Human Resource Utilization** (Traditional Personnel Function): (Focuses on the human-social system and the structural system. In large hospitals like ours where so many of our administrative procedures are computerized, this aspect of human resource management is very affected by the sophistication of the technological system.) Activities include:

- Staffing (assignment, transfer, promotion, separation)

- Rewards (incentive programs, financial rewards, etc.)

- Appraisal (performance review)

- Labor relations

- Grievance systems

- Benefits program

- Wage and salary administration

- Recruitment of new employees

- Payroll administration

**3. Human Resource Engineering** (Focuses on all the systems, especially goals, structure and tasks): Activities include:

- *Industrial Engineering:* (staffing patterns, inventory systems, supply systems, materials management)

- *Organizational Development:* (a planned process of applying a set of concepts and values, utilizing a definable technology, in order to optimize the attainment of organizational and individual objectives)

OD technology includes interventions such as team-building, process consultation, role clarification, training, management by objectives, etc., and is applied after a period of diagnosis and linkage to organizational resources available to help solve problems. Most OD technology deals with improving the "processes" by which people relate to one another and work together such as the design of jobs, structure of reporting relationships, communication patterns (formal or informal) and clarity of roles. Its purposes are growth of people; to foster an open problem-solving work climate; to improve methods of conflict resolution and to develop more effective collaboration among functional groups.

- *Manpower Planning* (a sophisticated technology for facilitating the effective placement of people within the organization): Manpower

er planning provides management with the criteria for determining whether particular training or development needs exist; with a way of identifying available manpower supplies and projected shortages; and provides direction for outside recruitment programs. For example, at our hospital we are developing computerized educational and skill inventories for all employee classifications. We are developing many of our training activities from needs identified by the plan.

Whether the three functions of human resource management development, utilization and engineering should be housed within a single corporate entity or spread into strategic parts of the organization (i.e., separate training department, personnel department, industrial engineering department, OD department, etc.) is a decision best determined by the size and management style of the organization. However, if they are separated, some "linking-pin" mechanism must be in place to assure overall manpower coordination.

In considering the management of human resources, let's not forget that we are not many years ahead of the time when business economics was centered on capital to the neglect of the human factor in production. Over the last decade, we have seen the importance of the human resource factor increasingly stressed. In proposing the ideas I've stressed here we know that an enormous gap still exists between what is and what we still must do to manage our human resources effectively. The building blocks must be shaped and assembled, one at a time.

We seek to create organizational environments where people won't have to stand up and be counted. They will count — and that will make all the difference.