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Managing the Cinderella Workforce

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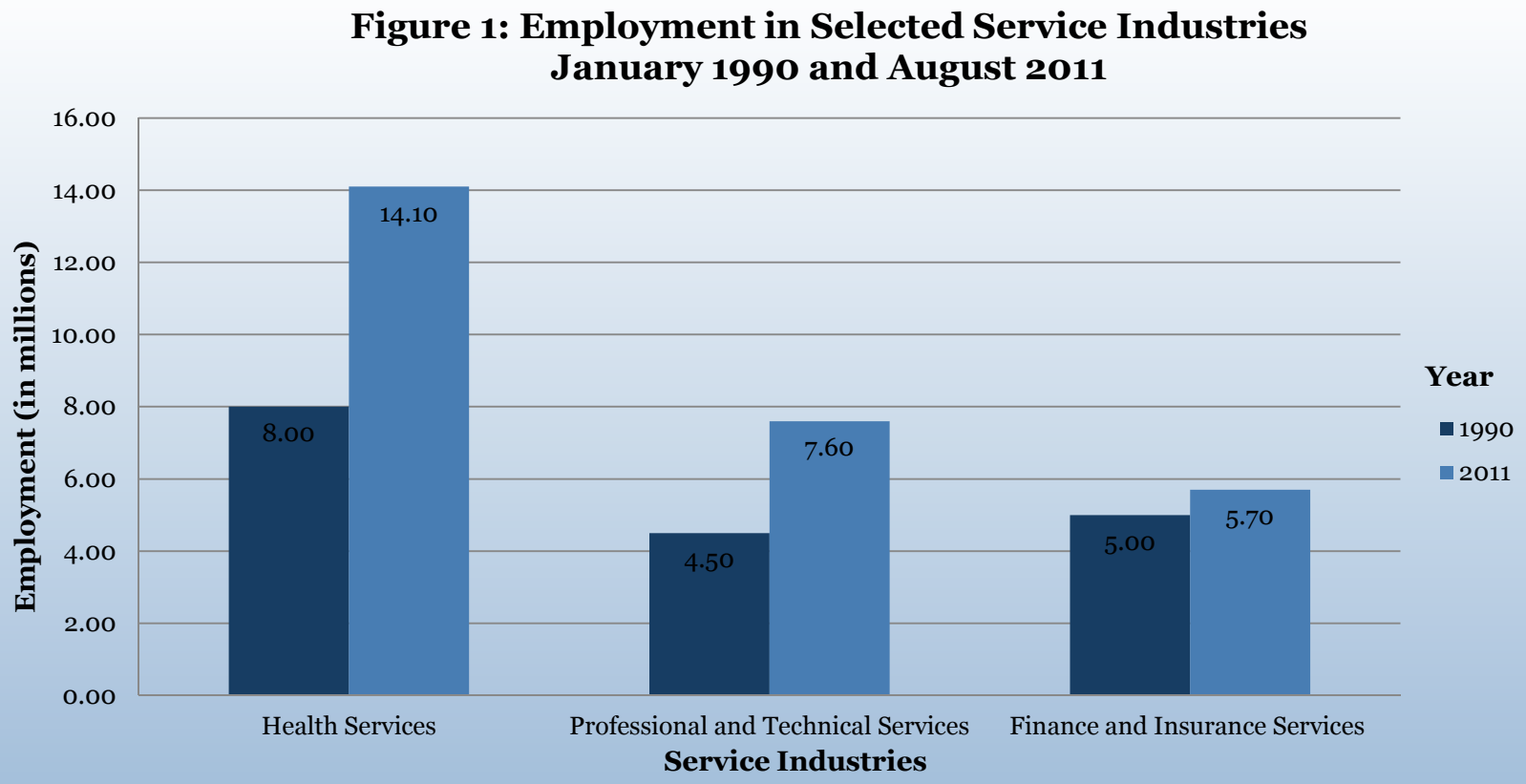
Managing the Cinderella Workforce:

- **Where the Jobs Are**
- **Turnover and Low Job Satisfaction – An Indictment of Management Practices**
- **Strategic Management and Work Organization**
- **Worker Agency/Collective Action**
- **Private Equity Ownership and Governance**

Where the Jobs Are



Job Growth in Direct Care Occupations in Recession & Recovery

- Direct care workers in health care
  - Provide almost all of the hands-on, in-home care and most of the interactive care in nursing homes
- 1 million jobs added in the health care sector since onset of recession in December 2007
- 40% of these jobs – 400,000 jobs – added in 2 categories
  - Home Health Care
  - Nursing and Residential Care Facilities

Job Growth in Direct Care Occupations in Recession & Recovery

- Nearly 20% of these jobs were in home health care (many more hired informally)
  - Employment increased **20%** from 932,800 to 1,124,600
  - Occupation is 88.2% female, 34.6% black, 14.7% Hispanic
- Another 20% in nursing and residential care facilities
  - Employment increased **7%** from 2,984,600 to 3,192,200

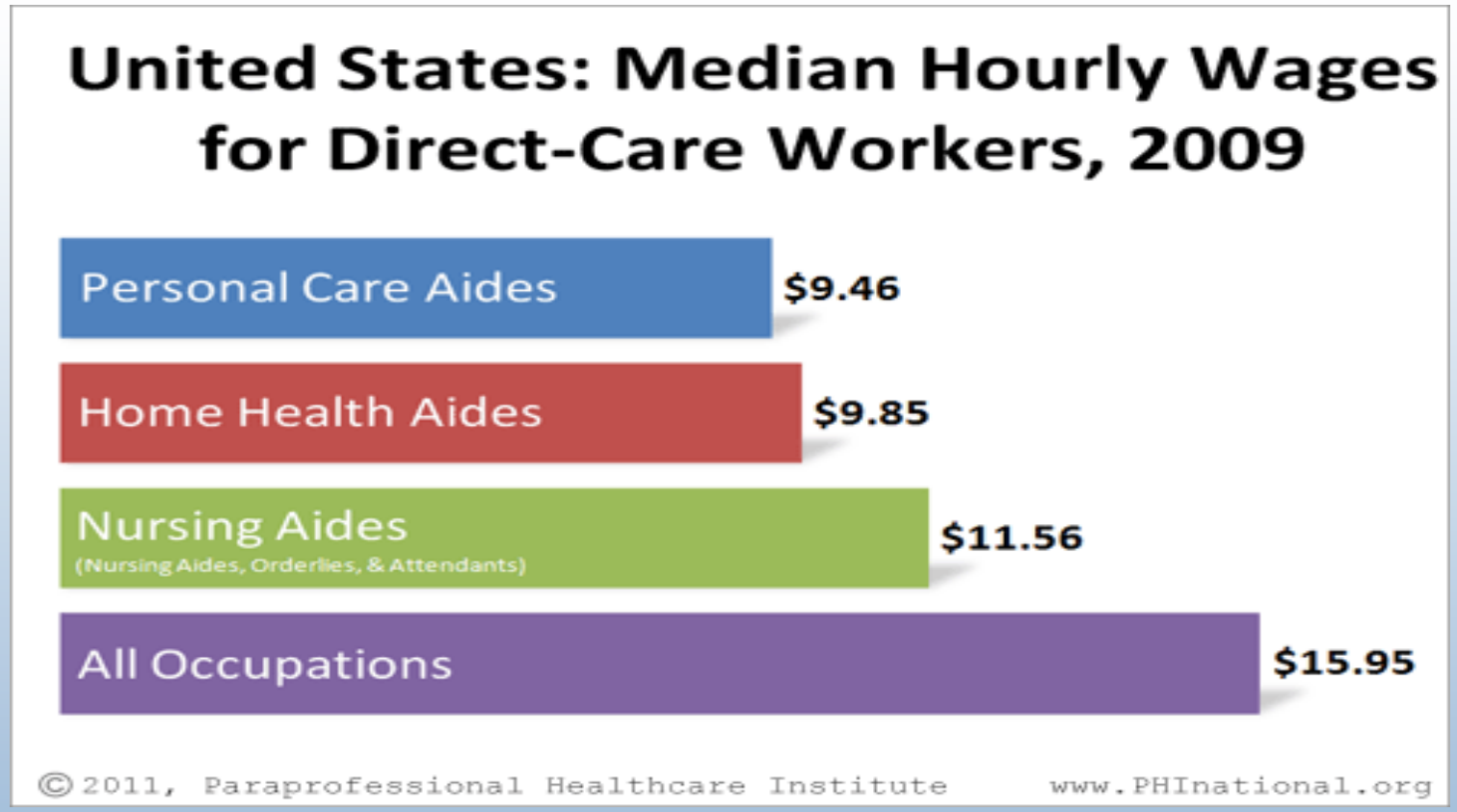
Large Job Growth Projected in Direct Care Occupations in Health

Table 1: Ten Occupations with Largest Projected U.S. Job Growth, 2008-2018

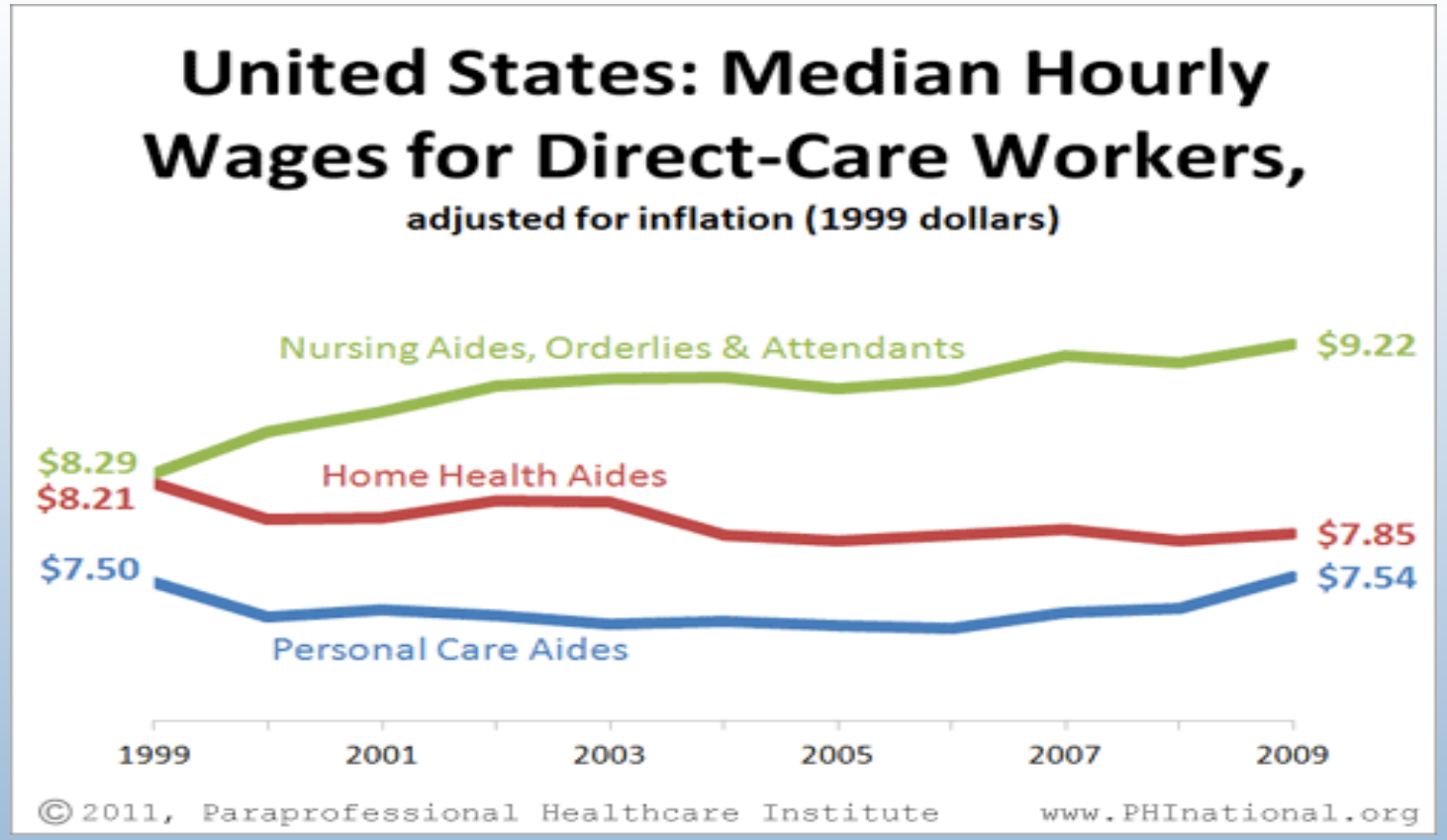
2008 National Employment Matrix Occupation Code		Median Annual Wage Quartile 2008	Percent Female 2010	Percent Black 2010	Percent Hispanic 2010
1.	Registered nurses	VH	91.0	12.0	4.9
2.	Home health aides	VL	88.2	34.6	14.7
3.	Customer service representatives	L	66.6	17.5	15.2
4.	Combined food preparation and serving workers, including fast food	VL	61.3	12.8	16.6
5.	Personal and home care aides	VL	86.1	23.8	17.6
6.	Retail salespersons	VL	51.0	11.3	13.7
7.	Office clerks, general	L	84.2	13.0	15.6
8.	Accountants and auditors	VH	60.1	8.6	5.8
9.	Nursing aides, orderlies, and attendants	L	88.2	34.6	14.7
10.	Postsecondary teachers	VH	45.9	6.3	5.0

Source: Employment Projections Program, U.S. Department of Labor, U.S. Bureau of Labor Statistics www.bls.gov/emp/ep_table_104.htm and Employed Persons by Detailed Occupation, Sex, Race and Hispanic or Latino Ethnicity, www.bls.gov/cps/cpsaat11.pdf

Median Wages: Direct-care workers in the U.S. earn significantly less than the median wage across all occupations in the country.



Wages Adjusted for Inflation: Over the past decade, inflation-adjusted median hourly wages for Nursing Aides, Orderlies, and Attendants in the U.S. increased by 11 percent, from $8.29 to $9.22. Real wages for Personal Care Aides essentially remained unchanged while those for Home Health Aides declined.



High Turnover, Low Job Satisfaction

- Looming shortages of direct care workers
- Provider orgs. face high turnover, low job satisfaction
- Widely cited studies document turnover rates of 30% to 62% in facilities studied
  - Raise broad questions about
    - Management practices and work organization in care work
    - Motivations of direct care workers and perceptions of their role
  - Conventional wisdom assumes worker turnover due to low pay
  - Failure of management, but blamed on ‘problem workforce’

Table 1: Summary of 8 Widely-Cited Studies from the Literature on Direct Care Turnover

Authors Theoretical models or key lit. cited	Turnover Rate	Study Design	Focus	Factors associated with higher levels of turnover	Other conclusions
Waxman, et. al.1984 Previous turnover studies	5.7 to 62%	Interviews with 234 NA's in 7 proprietary NH's; facility level data on turnover	Wages and benefits, job satisfaction, ward atmosphere and perceived quality of care as related to turnover and job satisfaction	Counter intuitive: - high satisfaction and low complaints - Highly organized work with explicit procedures - Higher quality resident care - Non-union	-Greater NA involvement in decision-making may decrease turnover
Brennan and Moos, 1990 Social climate including interpersonal conflict and cohesion	All staff – 46%	Cross-sectional analysis of facility level data obtained from survey data from 117 community nursing homes (Veterans homes are not included in this table	Physical environment, policies and services, resident and staff characteristics, and social climate as related to turnover	- Facilities with younger staff and a larger proportion of NA's - Resident characteristics - Negative social climate (more conflict, less cohesion, less organization, less resident influence)	-Reducing staff conflict & improving social climate may reduce turnover
Banaszak-Holl and Hines,1996 Descriptive literature on LTC environment, job design	NA's 32%	Cross-sectional analysis of data from structured interviews with Administrators and DONs in 250 nursing homes in 10 states	Facility characteristics, job design, workload and organizational structure, local economic conditions, and turnover	- Local economic conditions (strongest effect) - For-profit facilities - Facilities that do not involve aides in resident care plans	- Workload and intensity, facility size, payer source mix were not related to turnover -Explained 21% of total variance in turnover rates

Brannon et. al., 2002 Role of organizational factors	NAs 51%	Cross-sectional analysis of data from a stratified sample of 308 facilities in 8 states using OSCAR[1] facility level data, county economic (ARF) data and interviews with DONs	Facility characteristics, management structure, participation structure and nursing care processes. Facilities assigned to high, medium and low turnover groups.	- High RN turnover - For profit ownership, particularly chain facilities - Clinical training sites	Focus on very high and very low turnover as poor outcomes. Workload, NA participation, and local economic factors unrelated to turnover. Different actors operate at the high & low end of the continuum.
Parsons et. al., 2003 Organization behavior and job satisfaction	30% intend to quit	Statewide survey of 550 NAs – response rate of 33%	Personal and facility characteristics/ correlation with intent to quit and job satisfaction	- Little professional growth - poor supervision - Lack of information from management. - Personal factors: younger, shorter tenure, interested in job growth and education, looking for additional job	- Low wages the major source of dissatisfaction but do not predict turnover - Social rewards of working with residents, closeness to residents independent of intent to quit

Castle, 2005 Impact of top management turnover; theoretical models of turnover in general	NAs 58%	Cross-sectional analysis of facility level data (OSCAR and ARF) and interviews with administrators from stratified, random sample of 419 facilities in 5 states (resp. rate 85%)	Job design, facility, resident, and market variables and management, nurse and NA turnover	- Management turnover -Nurse turnover - Bed size and chain membership associated with high turnover facilities but not low turnover facilities.	-Highlights importance of top management in influencing NA turnover. -Suggests that high and low turnover rates are influenced by different factors.
Brannon et. al. 2007 Job rewards job concerns model and critical role of relationships with supervisors	43% thinking about quitting in the next year	Cross sectional analysis of mail survey of 3,039 direct care workers from from multiple types of LTC settings in 5 states	86 item survey of job and work system characteristics correlated with various levels of "intent to leave."	-Strongest associations with intent to leave were work overload (nursing homes), lack of opportunity for advancement (home care), and poor supervision (across settings).	(Altruism) desire to help others lowers intent to quit (no data on actual turnover). -Data on problems and rewards suggests trying to improve "person-job fit" as an approach to enhancing the workforce.

Castle et. al., 2007 Modified general model of turnover developed by Price and included facility variables that have shown strong relationship with turnover	48%	1,779 surveys from NAs from 72 randomly selected NHs in 5 states—(resp. rate of 30%) NA's re-surveyed and turnover data collected NA's after 1 year. Included facility characteristics through OSCAR & environmental factors through ARF.	Longitudinal (T1, T2) design that uses previously validated instruments on NH job satisfaction with specific aspects of their jobs, facility characteristics and practices, and quality of care. Dependent variables were intent to leave and actual turnover after 1 year.	Low job satisfaction is associated with turnover intentions & actual turnover; relationship strongest on sub-scales on training, rewards, and work schedule (workload and time pressure). -Dissatisfaction with an increasing number of subscales predicted job search and turnover.	Limited by cross-sectional data on job satisfaction, intent to quit and turnover. -Suggests possible evolution in NA's decision process: negative quality perceptions may become a factor as NAs move toward actual turnover.

Centers for Medicaid and Medicare Services maintain a nursing home data base: The Online Survey and Certification and Reporting (OSCAR); ARF = Area Resource File

Turnover vs. Retention

- Studies cited show that different factors determine "high turnover" vs. "low turnover"
  - Brannon et al. 2002, Castle 2005, Eaton 2002
- Job dissatisfaction related to pay and supervision
- Turnover related to management practices, worker motivation
- Retention related to personal calling, opportunity to advocate for patients, strong bond with clients
  - Mittal, Rosen and Leana 2009
- Research suggests managers can improve retention

Strategic Management and Work Organization

- Strategic HRM rarely focuses on low-wage front-line workers as source of value-added, competitive advantage
- Fails to recognize how interactive care work differs from other kinds of work
  - Characterized by distinctive type of intrinsic motivation
  - Care workers motivated by concern for well-being of recipients (Folbre 1995, 2000, 2001,2008; England 2005)
  - Pay is not unimportant and skills matter, but focus needs to be on qualitative manager/worker/client interactions
- Off-the-shelf strategic HRM not applicable

HR Practices, Work Organization Do Matter

- HR practices and work organization improve both the quality of front-line jobs and organizational efficiency in a wide variety of industry settings (Appelbaum, Gittell and Leana 2008)

- In health care, interventions grounded in the high performance work perspective include training for leaders and supervisors, employee empowerment, and improving practices related to recruitment and retention (Stone and Dawson 2008; Appelbaum, Berg, Frost & Preuss 2003)

But Situate SHRM in Broader Literature

- Three complementary approaches, not mutually exclusive
- Organizational social capital (Leana and Van Buren 1999)
- Relational coordination (Gittel et al. 2000, Gittel 2002, 2006, 2008)
- Organizational learning (Argote 1999, Edmondson 1999, Tucker & Edmonson 2003)

Organizational Characteristics	Organizational Social Capital	Learning Organizations	Relational Coordination
Industry context	General (includes childcare workers and teachers)	General (includes health care)	General (including health care and nursing homes)
Normative context for model	Trust, and share goals benefit employees and employers.	The value of an engaged employees and their potential contribution to effective, competitive organizations.	Employees important for motivation, commitment, knowledge and skills—including relational skills
Characteristics of relational environment created by organizational leadership	Leadership promotes workforce stability, trust, and associability. Interpersonal relations and information sharing create organizational value.	Creating an environment characterized by high psychological safety and high accountability. Ensure that specific organizational resources, processes and practices support learning	Creating an environment characterized by trust and mutual respect. Ensuring that *roles* within the organization incorporate "relational coordination" Ensuring implementation of HPWPs that support relational coordination

Organizational Characteristics	Organizational Social Capital	Learning Organizations	Relational Coordination
HRM Practices: e.g. wages, benefits, worker supports, training	Promoting stability and trust through positive HR practices including wages, health and educational benefits, and training	Train in team skills. Provide time to learn. Use best knowledge available.	Recruit and select staff with relational as well as functional competence Nursing homes: improve training, pay and status of nursing aides
Job design and work practices	Stable employee base Knowledge sharing Low monitoring Collective goals and rewards	Opportunities for reflection and forums for exchanging ideas, e.g. "after action review," participatory training, quality improvement methodologies, work teams, networks. Work process data collected and analyzed. Flexible work protocols that allow testing new ideas.	Cross functional performance measures, shared rewards, employee selection for relational competence, conflict resolution, boundary spanners, meetings

Key Practices to Improve Organizational Outcomes

- Taken together, this research suggests that management practices can foster efficiency and enhance organizational performance
- Management practices should promote:
  - Work relationships based on trust rather than authority
  - Shared goals and mutual respect
  - Safe and collaborative learning environments
  - Relational ties and communication coordination
- Literature is thin – need more research

Worker Agency

- Traditional view of role performance is “task completion” – widely held
- Worker discretion can make care more responsive to the individual preferences and needs of recipients
- Jobs performed under varying degrees of uncertainty and interdependence require workers to be both adaptive and proactive in performing tasks (Ilgen and Hollenbeck 1991, Neal and Parker 2007)

Job Crafting

- 'Job crafting' – individual workers or teams shape the contours of jobs (Wrzesniewski and Dutton 2001)
  - Offers a 'worker centered' perspective (Hodson 2001)
- Opportunities for job crafting are shaped by
  - Job design; Management practices; Employees' work orientation
- High level of job autonomy and freedom from job monitoring enlarge opportunities for job crafting (Wrzesniewski and Dutton 2001)
- Management practices that provide opportunities for job crafting can improve quality of care (Leana, Appelbaum and Schevchuk 2010)

Consumer-Directed Care

- Care recipients contract directly for services
- People may receive direct payments from which they pay for care, or may pay out of own resources
- Introduces high degree of ambiguity, uncertainty for workers and care recipients
  - Care recipients select carer, customize schedules and tasks
  - But may have difficulty finding suitable employees, evaluating skills, or obtaining coverage for absences
  - Home care workers lose critical legal protections that other workers take for granted (Smith 2007)

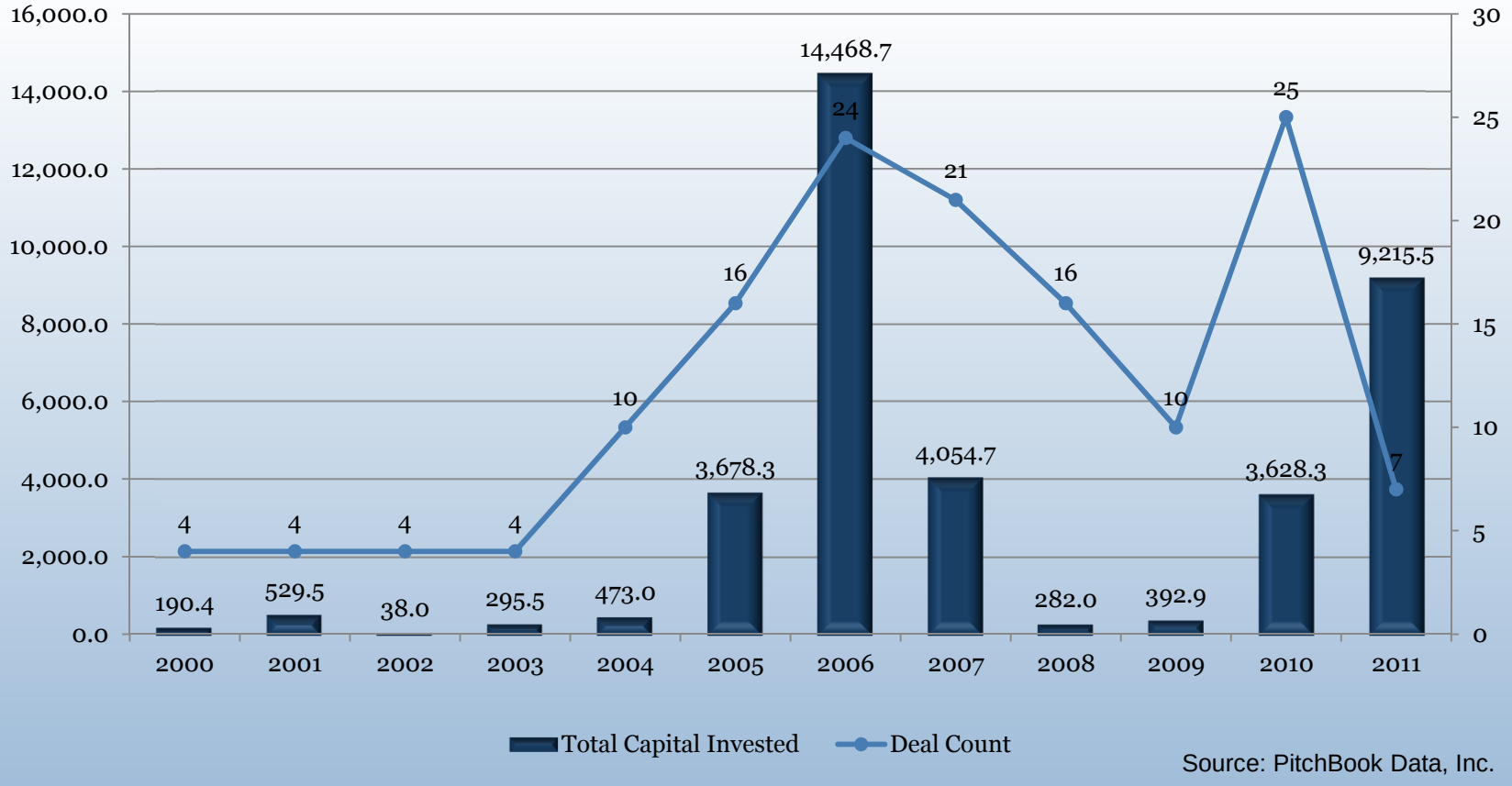
Collective Action

- Unions have taken lead in promoting new workforce intermediaries
- Registries or public authorities that can
  - Aggregate workers
  - Serve as employer of record for union organizing purposes
  - Provide benefits, services for workers and care recipients
  - Health care reform supports establishment of this infrastructure
- SEIU has organized >300,000 home care workers (Delp and Quan 2002, Smith 2008, Howes 2002, 2004, 2005)
  - Near doubling of wages, increase in hours worked
  - 54% increase in number of workers; 47% in consumers served
  - Decline in turnover

Ownership Structure and Governance

- Private equity increasingly important form of ownership
  - **110 nursing home, home health companies acquired since 2000**
  - PE firms sponsor funds – pools of investment capital
  - Combine equity financing with high levels of debt financing to acquire nursing homes, home health agencies
  - Goal: make profit for shareholders and exit in a few years
  - Nursing homes – acquires operating company & real estate
    - Separates into opco and propco
    - Opco pays to lease facilities from propco
    - Southern Cross -- a cautionary tale?

PE Activity in Nursing Homes and Community/Home Health Agencies



Source: PitchBook Data, Inc.

Ownership Structure & Management Goals

- Variations in ownership have implications because managements' goals differ
- Goal of private equity owners is to incentivize managers to maximize shareholder value
- Managers in not-for-profit nursing homes must serve community interests and are explicitly enjoined from operating for the benefit of and from distributing revenues to private interests

Private Equity: Unique Opportunities

- Nursing homes and home health attractive to PE
  - More than 50% of revenues publicly paid
  - Small or fragmented nursing home chains
    - May be inefficient
    - May have served the indigent population
    - May lack funds to update management systems and technology
  - PE may facilitate access to funding for operations, facilities
  - ➔Opportunities for PE investors to alter management practices and make quick improvements, raise returns

Private Equity: Challenges

- Risks and challenges
  - Must conform to federal and state regulations when making operational improvements
  - Difficult to make changes quickly and meet high expectations of investors
  - Assumptions that justified the use of leverage may not be fulfilled
    - Debt burden may threaten performance, even solvency

Saga of Southern Cross

- 2004 - Southern Cross bought by Blackstone, Terra Firma
  - Purchase financed mainly with debt
  - Split into Opco and Propco
  - 2006, sold £1 B portfolio of properties to Royal Bank of Scotland
  - Southern Cross leases back the properties
- Typical in retail, cinema, nursing homes
  - Rents set high and rising – raises value of real estate when sold
  - Even small change in revenue can threaten Opco

What Made Southern Cross Attractive?

- Assumptions :
  - Rising demand from ageing population
  - Contraction in number of homes as older facilities close
  - Ability to raise weekly fees above inflation
  - Contain labor costs via access to European labor market
  - Can afford annual rent increases
  - Financed by public purse when private means inadequate
- Considered less vulnerable to market volatility
  - Government looking to private sector to provide care of elderly

Southern Cross a Success for PE

- July 2006 - Blackstone cashed in with a public offering
- Dec 2006, Southern Cross has 8% increase in fees
- Jan 2007 – raised £127.5 million from sale of shares
- March 2007 – raised £169 million, sold remaining stake
- Blackstone reported to have generated more than a four-fold return on its original equity investment

What Went Wrong?

- Two snags
  - Elderly trying to stay in own homes as long as possible
  - Public funding under pressure
- High lease payments to dispersed group of landlords
  - Decline in revenue threatened viability of Southern Cross
    - 30-year leases called for annual 2.4% increase in rents
  - "It's just like Pubs. When you own your own real estate, you have protection from decline in revenue – you don't need to worry about rent."

What Went Wrong?

- July 2008 Southern Cross in trouble
  - Occupancy rates lower, govt. payments delayed
- Nov 2010 SC faces rising rents, tight public budgets
- May 2011 SC says might not be able to continue past June
  - Blackstone left it with unmanageable rent bill
  - 750 homes; 31,000 residents, staff at risk
- June 2011 – SC defers 30% of rent payments for 4 months
  - Agrees to restructure, become smaller
  - New contracts imposed on staff – cut pay, hours, 2,947 jobs
- Blackstone denies blame for SC's problems

Conclusion

- Failure of management
- But what about management researchers?
- Change is occurring in this industry that is important to the economy and to the quality of life
- What should our role be?