

CHANGE AND CONTINUITY:
THE ROLE OF A LABOR-MANAGEMENT COMMITTEE
IN FACILITATING WORK FORCE CHANGE DURING RETRENCHMENT

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The tension between change and continuity is likely to be the central dilemma in labor-management relations in the 1980s. Change is required if organizations are to prosper in increasingly competitive world markets, take advantage of new technology, or streamline operations in a declining niche. At the same time, continuity of employment is a goal that workers and their union representatives are embracing with increasing vigor: the old maxim that job loss is "one of the breaks of the game" is no longer acceptable (McKersie, Greenhalgh and Jick, 1980).

The purpose of this paper is to outline the experience of one program that reconciled the tension so that change and continuity could occur in a mutually reinforcing way. The change occurred as the State of New York phased out some of its programs and in response to fiscal constraints, cut back some others. As a result of these changes, continuity of employment was at stake for the state's more than 150,000 workers. The reconciliation was accomplished through the innovative work of a joint labor-management committee. The committee conducted research to assess impacts, needs, and pilot programs; developed and implemented reemployment programs for workers displaced prior to formation of the committee; and evolved policies and procedures for handling program shifts in ways that avoid the dysfunctions that arise when employment changes are poorly executed.

Origin of the committee

The State of New York had been a stable employer from the 1930s through the 1960s. The early 1970s, however, saw a reversal of this trend whereby more than 10,000 employees had been laid off by 1976. The history of stability

was a double-edged sword. First, the cuts suddenly and dramatically violated expectations of job security held by state workers, many of whom had self-selected into state employment because of the security it traditionally offered (Hall and Schneider, 1972; Hanlon, 1979; Schuster, 1974). Second, the years of stability had provided state decisionmakers with little experience in reducing its work force, so that when the cuts came, they were handled with little consideration of the impact on employees.

As a result of these factors, membership pressure on the unions grew dramatically. The major public sector union, the Civil Service Employees Association (CSEA)¹ entered the 1976 negotiations willing to fight hard for a prohibition of future layoffs.² The chief negotiator for the state, Donald Wollett, was familiar with the work of the Armour Automation Committee which had experienced some success in cushioning the impact of major change in the meat packing industry (see Schultz and Weber, 1966). He advanced a counter proposal involving six months advance notice and establishment of a Continuity of Employment Committee, to which the union eventually agreed. The committee's three-year mandate, provided in the 1976 contract, was to:

- (a) Study worker displacement problems arising from economy RIFs, programmatic reductions and curtailments, close-downs, relocations, consolidations, technological changes, and contracting out; and
- (b) Make recommendations for the solution of these problems, including but not limited to the use of normal and induced attrition (e.g., early retirements), sharing of available State job opportunities (e.g., transfers), indemnification (e.g., severance pay), and transition to work in the labor market beyond State employment (e.g., retraining).

To indicate that it meant business, the state agreed to appropriate \$1 million for the work of the committee. As will be seen below this money became a key factor for success, for it enabled the committee to buy its way into demonstration projects and provided seed money for the establishment of special programs within existing agencies. Since the rank and file quickly dubbed the committee "the million dollar operation," the money also put pressure on the committee to develop programs that would benefit workers who had been on layoff and to initiate visible preventative programs for those who might be subject to layoff in the future.

Formation of the Committee

The committee began operations in the fall of 1976, with the appointment of representatives. The president of CSEA nominated five vice presidents, representing different regions. These individuals brought status from the union side as well as an independence, since each of them was an elected official in his region. Management representatives were drawn from the middle ranks: the civil service department, the office of employee relations, the division of the budget, one of the mental health agencies, and the department of education.³

Early in its operation, the committee agreed upon a number of ground rules, which stood the test of time over the three-year period. First, all decisions would be taken only after full discussion and consensus by all members of the committee. This meant that each member was in a position to stop a decision until the individual felt comfortable with the proposal. Second, the work of the committee was viewed as parallel to the adversary process of collective bargaining. Recommendations were to be submitted to the principals, that is, the director of the office of employee relations and the president of the CSEA, and through their roles brought to the bargaining table or implemented by executive orders.

The most important ground rule involved what the committee members came to call the "black box" understanding; namely, the committee would concern itself with the impact of a specific program change on workers and not with the rationale for the program change itself. For example, the union strongly opposed the state's deinstitutionalization program⁴ in other forums -- yet, the committee agreed that the union's concern with the policy itself would not affect the design and implementation of contingent programs to help mental health care workers who would be displaced by deinstitutionalization. At times it became difficult to hold to this separation of the policy rationale from the consequences of the policy, since by dealing with the consequences it appeared to some rank and file that the committee was assenting to the policy itself. Nevertheless, this principle made it possible for the committee to move ahead with its program of assistance and protection and shielded it from the conflict that would have been inherent in discussing the appropriateness of the changes sought by the state.

Finally, the committee agreed that it would try to utilize existing state agencies and incorporate its ideas and programs within the existing agencies of the state rather than using its funds to establish a new and separate office.

Impact of Layoffs

The first task undertaken by the committee's research staff was an analysis of the layoffs that had occurred over the preceding six years to determine the extent and nature of needs to be addressed. The general picture that emerged indicated that about 10,000 individuals had been laid off with heavy concentrations occurring in the drug abuse agency and in the several

mental health agencies. The heaviest hit area of the state was New York City. Females were underrepresented in the layoff group; whereas they comprised 44 percent of state employment, they accounted for 32 percent of those laid off. The reverse was true of minorities; whereas they represented approximately 10 percent of state employment, they accounted for almost 20 percent of those laid off. This pattern is explained largely by the sharp cutback in the state's drug abuse program; drug abuse officers were predominantly minority males.

For individual workers, the severity of the layoff experience ranged over the spectrum. Approximately 35 percent of those affected experienced a "technical layoff" that involved virtually no unemployment; these employees left one agency or title of work to be quickly reemployed by the state in another position. Another 45 percent were soon recalled to state employment, usually to the same or better pay grade than they had prior to the layoff. The remaining 20 percent were unemployed for an average of 24 weeks.

The research work also assessed noneconomic consequences of layoff for state workers. Through questionnaires and a large number of face-to-face interviews, it became clear that many individuals had experienced considerable stress as a result of the layoff experience. Particularly hard hit was a group of semi-professional employees in the drug abuse agency. This agency had come into being in the 1960s and had expanded rapidly, making it possible for individuals with associate degrees in counseling and narcotic control to advance rapidly into important positions of responsibility. Many of these individuals had salaries in the range of \$15-20,000 and had bought homes and had been enjoying the other appurtenances of middle-class living when the cutbacks occurred. Having assumed -- like so many state employees -- that their jobs were secure, they were unprepared for the shock of job loss and

the ensuing uncertainty of finding alternative employment. The result was widespread stress-induced illness (Greenhalgh and Jick, 1978) and alcohol abuse; two suicides also occurred.

State agencies as well as individuals experienced adverse effects arising from layoffs--specifically, in the form of impaired organizational effectiveness. This phenomenon occurred with sufficient regularity that the general pattern can be described as follows. The shock of actual or rumored layoffs generates a ripple effect that diffuses throughout the organization. Insecure employees react by engaging in dysfunctional behaviors. For example, there is a rise in the turnover rate that is correlated with impaired job security. Worse, it is the higher-quality and harder-to-replace workers who are the first to leave (Greenhalgh and Jick, 1979). Subsequent understaffing leads to greater costs of overtime and disrupted teamwork. Those that remain behind are often withdrawn and demoralized, and tend to put in the least effort that is acceptable.

The prospect of reduced effectiveness of state service delivery was recognized by the committee and its staff as a persuasive point, one that could be used in overcoming the resistance of the state system to adopting the committee's policies and programs. More specifically, since initial field research suggested that layoffs created costs for the state that might offset much of the presumed savings, systematic research was undertaken to estimate these costs (see Greenhalgh, 1978; Greenhalgh and McKersie, in press). The research was designed to enable state decisionmakers to draw conclusions about the relative cost effectiveness of the two principal alternatives for reducing a work force -- layoff versus attrition.

As a result, it was ascertained that attrition could be a practical alternative to layoff. Since the typical layoff had involved only a small reduction relative to the size of the work force in a particular agency, an attrition program--for example, imposing a selective hiring freeze--could accomplish the same overall reduction after a transition period of less than a year in all but a few cases. Beyond the transition period, the savings from the reduced payroll size would be equal whichever strategy is chosen.

There are several costs that arise when the layoff strategy is chosen over the attrition strategy. The layoff strategy incurs the substantial costs of unemployment insurance chargebacks. These do not accrue to an employer using the attrition approach, wherein workers leave voluntarily; the costs accrue only when workers are laid off. Other incremental costs of the layoff strategy result from the effects of job insecurity that pervades an organization for a long time following the first rumors of layoffs. The drop in productivity noted earlier can be measured in cost terms, as can increased turnover and its multiple consequences. Furthermore, agencies experience increased alcoholism, grievances, and law suits contesting layoffs. Perhaps worst of all, job insecurity can engender resistance to change; thus ironically, the planned reorganizations that gave rise to the layoffs become much more difficult to introduce successfully.

When dollar amounts are attached to these factors, the cost effectiveness of layoff and attrition can be compared. For the typical work force reduction situation, layoffs do not prove to be cost effective. In fact, there is a difference in favor of attrition sufficiently large to justify an investment of almost \$1,000 per surplus worker for programs to induce redeployment through

retraining and relocation. In sum, the cost effectiveness study indicated a need for the committee to develop policies, guidelines and legislation so that the layoff strategy would be used as a last resort rather than as standard operating procedure.

Readjustment Programs

The research had identified a group of 1200 individuals as potentially in need of the committee's assistance. Approximately 500 (i.e., 5 percent of the total) had been laid off in the early 1970s and never recalled to state service. The other 700 had regained employment, but at lower salary levels. This combined group became a target clientele for the development of a number of readjustment programs operated by the committee during the first year of its work.

The first step was establishment of a special Continuity of Employment Center to provide counselling and referral services to the target group. Most laid off employees had expressed a strong desire to return to work with the state (primarily because of fringe benefits, especially pensions)--thus, it was natural to locate the center in the state's civil service department which had the best information about employment opportunities throughout the state system.

Next, all members of the target group were contacted and asked to complete a skills inventory profile. The existing civil service recall procedure had used only past state job titles to determine skills to be matched to openings. The profile was designed to broaden possibilities for matching by considering skills acquired through training programs and non-state jobs.

Members of the target group were then contacted by circulars when openings developed, and many came to the center to be interviewed and counselled about opportunities for reinstatement. In addition, several retraining programs were instituted to allow for reemployment into new careers. To give one example, with funds from the committee, a training program was established to retrain a group of laid-off meat inspectors to become fruit inspectors. Half a dozen such programs serving about 100 individuals were implemented on a pilot basis by the center, with development, funding and evaluation provided by the committee and its staff.

The committee also instituted, in cooperation with the state department of labor, an outplacement program, which sought to open up opportunities in the private sector for those still unemployed. Money was allocated on a pilot basis to enable individuals to enroll in training programs, to search for employment elsewhere within or even outside of the state, and to subsidize private industry for wages paid during the break-in period for the new workers. Only a handful availed themselves of the program, however, confirming the point revealed in interviews that very few individuals were interested in working in the private sector. Indeed, out of the original 10,000 affected, only about 5 per cent moved to employment in the private sector. On the basis of this experience, the efforts of the readjustment center were subsequently re-focused almost exclusively on finding employment for the job losers within the state system.

Overall, the work of the center and the readjustment activities more generally must be viewed as only minimally effective. Only about 10 percent of the target group benefited in any measurable way. One reason for the low

yield involved the fact that the target group, after all, was "residual" in the sense that they had been passed up by potential state hiring agencies because of their unwanted skills or perhaps marginal performance records.

Policy Development and Recommendations

Having gone about as far as it could in reemploying those who continued to be disadvantaged as a result of layoffs, the committee turned its attention to formulating proposals for achieving program changes without layoffs. The union representatives on the committee advocated a guarantee of no layoffs for state employees, but the management representatives resisted it, knowing that such a policy would not be acceptable to top state officials since it would be too constraining in certain situations.

The compromise that developed involved the principle of "one employment alternative." The concept involved offering each surplus employee a reasonable alternative for remaining employed with the state. An alternative would be reasonable if it were in the same general pay range and commuting area. Access to a retraining program would constitute an offer. The worker would be free to refuse the offer and be laid off without losing any of the layoff/recall rights provided by state law, and without prejudicing eligibility to draw unemployment compensation.

Since the fall of 1978, when the committee submitted its unanimous recommendation for the avoidance of layoffs through the employment alternative concept, the state has laid off only a handful of employees on an involuntary basis. While the state has not adopted the policy in any formal sense (the executive branch has said that it did not want to tie its hands to the commitment of providing an employment alternative in all cases) this guideline has

nevertheless been followed in the closing down of a number of programs and establishments involving several thousand workers.

The committee also advanced several accompanying recommendations that would be needed in the successful implementation of an employment alternative program. First, it would be essential for work force planning to take place on a centralized basis so that workers who were scheduled for displacement could be matched to openings that were available or projected. Consequently, the committee recommended that human resource planning be institutionalized in parallel with financial and program planning conducted by the division of the budget.

Another recommendation involved the provision of lead time. Based on several research studies the committee recommended that the state provide advance notice of three months before individuals would be displaced. Three months would allow sufficient time for arranging the employment alternative but would not be excessively long, as was the case with the six months' advance notice. The latter had been instituted for a one year experimental period, and then not renewed. It had been found that six months notice created so much slack that pilferage and other counterproductive behavior developed.

The Gouverneur Demonstration Project

The committee had made the case that the layoff strategy was not cost effective and that an array of viable techniques was available for managing work force reductions. A task remaining was to show by a demonstration project that with sufficient lead time, cooperation of the potential employing agencies, and resolution of local labor-management conflict, it should be possible to close down a facility and redeploy all the workers involved to other positions within state employment. The site that was chosen for

the test was the Gouverneur Unit, operated by the Office of Mental Retardation in lower Manhattan. This small facility had been slated to close for some time: as part of the overall program of deinstitutionalization, the state desired to move the patients to other care arrangements; furthermore, the building has been condemned. However, the union, opposed in principle to deinstitutionalization, had publicly indicated that it would fight the decision to close the facility with every means at its disposal. Into this bitter conflict walked the committee.

Starting first at the level of the state-wide committee, meetings were held with key representatives from the agency, the governor's office, the top staff of CSEA, and the Division of the Budget. A document was prepared by the committee that outlined the principles mentioned above for continuity of employment and commitment was secured that the various parties would cooperate with the demonstration project. For the Division of the Budget this meant agreeing to a phase-out timetable that would incur additional labor (i.e., "holding") costs. For the Office of Mental Retardation it meant exerting influence on the administrators of other units within the agency to accept displaced employees on a transfer basis. For the union, it meant "holding its fire" on the short-term question of deinstitutionalization and giving the project a chance--in order to see if it would be possible for the workers involved to continue employment without being subjected to layoff, thus providing potential long-term benefits for union members.

To summarize a complex stream of events, the project succeeded. All 300 workers were redeployed, many of them to other units in Manhattan operated by the Office of Mental Retardation. A local-level labor-management committee functioned very effectively in settling individual problems that inevitably

arise in establishing seniority lists and transfer opportunities. A staff member from the state-wide committee chaired the local committee and provided the impetus for moving the project ahead.

Two previously laid-off employees, who had worked as counselors for the drug abuse agency, were recalled to serve as counselors for the project. In effect, they were the outreach arm for the Continuity of Employment Center. They performed the invaluable function of meeting regularly with the displaced workers, outlining options and helping them make intelligent choices.

In an effort to evaluate the effectiveness of the Gouverneur redeployment program, the staff conducted research to determine whether the program had successfully avoided the dysfunctional consequences of job insecurity that had been measured at agencies where the layoff strategy had been used. The results were very encouraging. Job security itself was significantly higher among Gouverneur employees who were provided opportunities for continued employment. In addition, their productivity was higher and their propensity to quit the organization lower. Since the effects on productivity and turnover were the major costs associated with layoff-induced job insecurity, the Gouverneur redeployment program was judged a success (see Greenhalgh, 1980).

Work Force Planning

Although the Gouverneur demonstration project showed that a workable technology did exist for achieving a work force reduction without layoffs, it involved the closing of only a small organizational subunit. A question remained as to the applicability of this approach to large-scale program change. Thus the committee welcomed the opportunity that arose with a request from the state legislature to examine work force changes in the

mental health agencies of the state. At this point in the history of deinstitutionalization, CSEA found itself ready to modify its opposition if it could be assured that program changes would take place without forcing its members out of the state system. The study, therefore, was undertaken by the committee's staff.

The study concluded that over a projected five-year period, depending on the rate at which deinstitutionalization took place, anywhere from 5,000 to 15,000 state workers might be displaced. However, by instituting an attrition program, the number of workers who would be in excess could be reduced to well under 1,000, and if a geographical transfer program were utilized, all displaced workers could be accommodated. While the overall conclusion was encouraging, a number of practical problems remained. For example, attrition rates in the Adirondack countries were far lower than those in the New York City Metropolitan area. Consequently, to achieve overall system balance it would be necessary to induce some employees from upstate counties to transfer to downstate counties, which would meet with resistance. Further, the attrition program with its attendant hiring freeze would have to be modified for some occupations where turnover would be higher than required and where it would be impossible to retrain people within the system to fill these openings: doctors and other high-demand occupations would be the examples. While a number of ramifications remained to be worked out in implementing program changes without layoffs, the work force planning exercise demonstrated to the legislature and to the executive branch that, with sufficient lead time and with proper staff work, it should be possible to achieve even major program changes as well as a successful redeployment of the personnel involved.

Overall Results

From the inception of the committee in 1976 through the end of its first phase of work in the summer of 1979, no massive layoffs of New York State employees took place. Moreover, the state subsequently adopted attrition programs as standard operating procedure for work force reductions.⁵ Thus, in a very important sense, the work and thinking of the committee had been adopted by the decision makers within the executive branch of the state.

At the level of individual agencies, the concept of bringing about change without layoff had also been institutionalized to some extent. For example, during the summer of 1979, the remaining institutions of the drug abuse agency were phased out with virtually no involuntary layoffs. Moreover, this redeployment of personnel took place under the auspices of the industrial relations personnel in the agency, without the assistance of the committee. The transition program did not run as smoothly as Gouverneur, where a local labor-management committee solved implementation issues. Nevertheless, the agency did consult with the representatives of the union, and the handling of the phaseout emphasized a concern for the job security of the workers involved that was far different from that present in the early and mid 1970s.

During the period 1976-1979, at least half a dozen other program changes took place within state agencies that involved the redeployment of several hundred personnel. For most of these program changes the Continuity of Employment Center within the civil service department provided important support services. Staff counselors were dispatched to the sites to assist in the readjustment efforts. In addition, the data bank capabilities of the central office in Albany were utilized to help match individuals to openings in other

state agencies.

In the longer run, the center will house two separate functional units.⁶ First, intraorganizational transfer will be facilitated by a computerized information system programmed to match available personnel to position openings. Second, an expanded range of services will be provided. These services will include: employee assessment assistance in the form of career counselling, resume preparation, and development of interview skills; increased employability through retraining, job search grants, relocation allowances, on-the-job training wage reimbursement; and outplacement assistance with public and private sector employers. In practice, these units will be tightly integrated so as to facilitate the systematic progression of employees toward reemployment.

Lessons from the Continuity of Employment Committee

Several points stand out in retrospect. First, it is extremely important in bringing about a fundamental change in the thinking and approach of any large organization for the intervention entity to have "buying power." Part of this was supplied by the \$1 million allocation, which enabled the committee to encourage agencies to undertake new functions by supplementing budgets with seed money. All changes require start-up funds, and the presumption was that after the test period the agency would be able to carry forward on its own out of existing funds or seek additional funds from the legislature for new levels of activity.

Support from the executive branch also became extremely important in securing the cooperation of agencies with a program of employment continuity for state workers. This was illustrated during the Gouverneur project, when it became necessary to invoke the prestige of the Governor's Office to encourage various agencies to accept displaced employees.

Another lesson learned was that civil service departments do not think of themselves as personnel agencies -- on the contrary, they emphasize almost exclusively the standard functions of classification and appeal. Hence, it took considerable time and effort to reorient the thinking of key people in the state to the need for a "hands on" personnel function that would view the work force as more than a static factor but would view it as a human resource to be developed and effectively redeployed.

Finally, this project illustrates the important positive interaction between labor-management cooperation, demonstration projects, research analyses, policy recommendations and basic changes in the thinking and practice of governmental agencies.

FOOTNOTES

1. At the time of the 1976 negotiations, CSEA was an independent union. In April 1978 it affiliated with the American Federation of State, County and Municipal Employees Union (AFSCME).
2. A minority of the state's work force was represented by AFSCME during this period, but no arrangement similar to the State-CSEA Continuity of Employment Committee existed for those workers.
3. The first author of this article was selected as neutral chairman of the committee. The other two authors directed the committee's full-time professional staff.
4. The deinstitutionalization program involved a change in patient care from residential, institution-based to outpatient, community-based services.
5. The state experienced some operational difficulties in its early experience with attrition programs. In some cases, the result of a straight hiring freeze resulted in the work force shrinking faster than was projected. Some administrators compensated for this with overtime, which was costly and further increased the attrition rate.

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