The Impact of the Great Recession on County Human Service Organizations: A Cross Case Analysis

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Abstract

An exploratory qualitative study examined the experiences of eleven county human service agencies’ as they embarked upon the budget reduction process during the years of the Great Recession, from 2008 to 2013. Through the analysis of 46 individual retrospective interviews with high level leadership in each organization, principles and values that guided decisions are identified. The study finds decision making strategies, including engagement with stakeholders, tactics employed for balancing the budget, and attempts to evaluate the success of such procedures and practices through the reflections of informants. Environmental and organizational factors that facilitated and constrained success are also reported. Implications for practice and future research are discussed.
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In the fall of 2008, Lehman Brothers, a global financial services firm, filed for bankruptcy, marking the beginning of a global financial crisis that devastated the economy of the United States. The collapse of the financial markets led to negative growth in the United States’ gross domestic product in 2008 and 2009, and the national unemployment rate jumped to over 9% (Center on Budget and Policy Priorities, 2014). The federal budget, already over one trillion dollars in deficit, took a battering during this time as income tax revenues fell drastically and expenditures increased for unemployment claims, food stamps and other safety net programs (Ruffing & Friedman, 2013). Substantial decreases in income tax and sales tax revenues, combined with increasing enrollment in state subsidized safety net programs, decimated state budgets. The American Recovery and Reinvestment Act (ARRA), a federal economic recovery package intended to shore up the consumer market, funneled substantial assistance to state budgets, mostly in the form of increased Medicaid funding and a “State Fiscal Stabilization Fund” (Oliff, Mai, and Palacios, 2012).

In the state of California, unemployment reached an all-time high of almost 12% in 2009 (The California Budget Project, 2009), and there were successive multi-million or billion dollar annual deficits, including a 15 billion dollar budget shortfall in 2013. The state was forced to reduce services in public health, cut funding for the children’s health insurance program and for services supporting HIV/AIDS patients. California eliminated all funding for the state’s domestic violence shelter program as well as maternal, child, and adolescent health programs. Aid to disabled and elderly populations was capped or reduced, childcare subsidies were reduced, and the state eliminated cost-of-living adjustments for cash assistance programs. The state also cut
its public workforce significantly, forcing furloughs and pay cuts for state employees (Johnson, Oliff, and Williams, 2011).

California social services are administered through the counties, and county human service agencies are responsible for child welfare and foster care functions, employment services, adult and aging services, as well as eligibility determination for all forms of economic assistance, including Medicaid, General Assistance and Food Stamps. Many counties supplement human service funding with county general fund dollars, generated through county property taxes. When the housing bubble burst, property values plummeted, and property tax revenues dropped drastically in 2008 and 2009. Due to major reductions in state allocations, as well shrinking county general funds, counties faced budget reductions ranging from 15% to as much as 30%, resulting in the elimination of hundreds of millions of dollars from their operations. While every county human service organization (HSO) was faced with deep budget reductions, individuals and families across California were losing their jobs and their homes, and were turning to county HSOs for help. Applications for public assistance programs spiked, and the need to process and determine eligibility for an unprecedented number of applicants stretched organizational resources. In conversations with researchers through the Bay Area Social Services Consortium at this time, administrators and managers reported being forced to address the reduction or elimination of state allocations for safety net programs and were tasked with grave decisions about how to manage reduced funding for critical programs.

The circumstances surrounding the budget reductions for human services from 2008 to 2012 are unprecedented. When research examining budgetary cutback strategies for social services first emerged in the 1980s, the budget reductions were in response to a change in federal legislation during the Reagan Era. Though these reductions to social welfare budgets created
serious challenges, they occurred during a time of relative economic expansion in the United States. In contrast, the severity of the economic recession that swept the United States in 2008 has only been surpassed historically by the Great Depression of the 1930s. Moreover, during the Great Depression, food stamps, Medicaid, and TANF did not exist, and were developed in response to the economic devastation of the 1930’s. In the context of significant budget reductions and increased demand for services, the choices made by county human service agency leaders determined what services were available and how they were provided in their counties during the financial crisis. The dramatic and intense need to quickly and significantly restructure these organizations sparked a high level of creativity and innovation. This study was designed to capture the principles that guided these leaders, the strategies used to make decisions, and the tactics employed to balance budgets, and identify lessons to inform current and future public sector administrators.

**Literature Highlights**

By the mid-1970s, public social service bureaucracies had experienced decades of growth and increasing fiscal appropriations that rested on the assumption that public resources would continue to be available as part of an expanding economy (Glassberg, 1978; Levine, 1978). However, with the beginning of economic stagnation in the 1970s and the ensuing reductions in domestic spending during the 1980s Reagan administration, “cutback management” became a familiar term among government administrators as scholars launched a systematic examination of the phenomenon. Given the general absence of historical precedent and empirical investigation, early scholarship on the subject was largely theoretical. Charles Levine (1978, 1979) offered the first, and perhaps best-known, framework for understanding public sector retrenchment related to legislative and judicial program funding mandates as well as the realities
of term limits and turnover of legislators (Levine, Rubin, & Wolohojian, 1982). Levine posited that the causes for organizational decline can be classified into four quadrants, “divided along two dimensions: (a) whether they are primarily the result of conditions located either internal or external to the organization, or (b) whether they are principally a product of political or economic/technical condition. (Levine, 1978, p.318)” In addition, political considerations dominated the specific decisions of managers (Edwards & Mitchell, 1987; Jick & Murray, 1982; Levine, 1978) as well as the process for allocating cuts within an organization (Bigelow & Stone, 1995; Levine, Rubin, & Wolohojian, 1982; Murray & Jick, 1985; Reisch & Taylor, 1983).

Given the unique constraints of this environment, cutback management scholars have offered a range of suggestions for successfully navigating public retrenchment. Managers are encouraged to engage in the difficult process of systematically prioritizing which services to cut and which to spare (Austin, 1984; Behn, 1980, 1988; Levine, Rubin, & Wohojian, 1982, and avoid a “brain drain” by ensuring that creative, visionary staff are not laid off or lost to inflexible seniority policies (Behn, 1988; Levine, 1978). Additional recommendations include: creating incentives and rewards for successful downsizing (Behn, 1988; Biller, 1980; Levine, 1979; Levine, Rubin, & Wohojian, 1982); developing relationships with key policy makers and constituencies (Austin, 1984; Behn, 1988); engaging in innovation (Behn, 1988; Biller, 1980; Glassberg, 1978; Levine, 1978); and creating a mission-based, strategic plan that both informs cutback implementation and allows for adaptive shifts to new funding sources (Austin, 1984; Behn, 1980, 1988).

Studies have highlighted the importance of an enhanced mission focus, or even a mission redesign, in order to: prioritize essential services (Flynn, 1991; Goplerud, Walfish, & Apsey, 1983; Goplerud, Walfish, & Broskowski, 1985; Jerrell & Larsen, 1984; Partnership for Public
Service, 2011); guide where to make cuts (Nakamoto & Altaffer, 1992); identify ways to compete for limited resources (Goplerud, Walfish, & Apsey, 1983); and build relationships with influential people, through an influential board member, or directly oneself (Goplerud, Walfish, & Apsey, 1983; Goplerud, Walfish, & Broskowski, 1985; Packard et al., 2007; Pawlak, Jeter, & Fink, 1983). Maintaining staff morale is critical, since layoffs and service reductions can have damaging impacts on the workplace mood and climate (Austin, 1984; Baker, 1982; Behn, 1988; Holzer et al., 2003; Hood et al., 1990; Johnson & Berger, 1990; Murray & Jick, 1985; Packard et al., 2007). The early scholarship on managing cutbacks also directed managerial attention to either long-term or systematic planning (Goplerud, Walfish, & Broskowski, 1985; Jerrell & Larsen, 1984, 1985; Murray and Jick, 1985).

Overall, however, recent research on public sector cutback management remains scarce, with only a handful of studies on the topic being published since the topic’s “zenith” in the first half of the 1980s (Bozeman, 2010, p. 558). The Great Recession, as the most serious economic downturn since the Great Depression, has posed a unique challenge that had not been previously encountered by the modern American Welfare State. Today-- more than 30 years after the pinnacle of retrenchment research—there are many information and service technologies available to assist public human service managers in streamlining service delivery and restructuring human service organizations. In an effort to inform current human service administrative practice, this qualitative study of modern public sector cutback management addresses four key retrenchment questions:

1) What were the principles that guided organizational leaders in the process?
2) What strategies were used for decision making?
3) What tactics were utilized to reduce the budget?
4) What were the most critical lessons learned from the process administrators?

Methodology

This qualitative study examines the cut-back strategies of eleven California county human service agencies located in the Bay Area. During the economic stagnation between 2008 and 2013, all of these HSOs experienced reductions in their annual funding from federal and state sources. Many of these counties, with politically liberal voters and elected Boards of Supervisors, heavily supplemented human service funding with county general fund dollars, generated through county property taxes. When property values in the Bay Area plummeted in 2008 and 2009, property tax revenues dropped dramatically (California County Annual Report, 2014), increasing the severity of budget reductions faced by county HSO’s.

County Demographic Characteristics

The eleven county HSOs differ in population size and include one small rural county with less than 300,000 residents, three medium sized suburban counties with between 300,000 and 700,000 residents, and seven large urban counties with between 700,000 to 2,000,000 residents. Counties also range in physical size, from less than 47 square miles to over 3200 square miles. Though all eleven counties are considered to be metro areas by the US Census Bureau, the population density in each county varies widely, from 17,000 people per square mile to 127 people per square mile. Income level and distribution in these counties also vary greatly; between 2008 and 2012, the median household income ranged from $60,000 to $91,000, while persons living below the poverty level ranged from 7.5% to over 16% (US Census Bureau State & County Quick Facts, 2014).

Organizational Characteristics: The size of county HSOs also varies with the size of the county. Three agencies in the sample have less than 800 employees, four have between 800 and
1500 staff, and four agencies have over 1500 full-time staff. Three of the eleven county organizations are integrated health and human service agencies, providing public health and behavioral health services to their county, in addition to public assistance, child welfare, and employment and senior services.

**Sampling/Data Collection:** Qualitative interviews were conducted with three to six executive leaders in each participating HSO. Purposive sampling was used to identify the participants by asking each HSO director to participate in an interview, and identify other informants in his or her organization that could provide insight into the budget reduction process and experience. A total of 46 interviews lasting 60 to 75 minutes were conducted, and all but two of the interviews were recorded and transcribed. Two individuals declined to be recorded, but detailed notes were taken. The interview guide was semi-structured to elicit the experiences and observations of expert informants. Key topics included: 1) planning and implementation issues (e.g., scope of reductions, implementation processes, organizational priorities, mission and guiding values, resources); and 2) organizational strategies (e.g., innovative strategies, structural changes, programmatic or service delivery changes; changes to the use of technology and staffing).

**Data Analysis:** The analytical approach involved multiple coding cycles to create holistic single case studies for each county HSO (Saldana, 2013; Yin, 2003). The case studies were then analyzed in a multi-case study approach (Stake, 2006). Coding schemes were developed by the first author using an eclectic approach that included descriptive and focused coding, and were validated through discussions with the primary interviewer and agency directors (Miles, Huberman, & Saldaña, 2013; Saldaña, 2013). Pre-coding and first and second cycle coding were carried out manually, while third and fourth cycle coding was conducted in Dedoose, a
qualitative data analysis software platform. Following the fourth and final coding cycle, Dedoose was used to validate theme recurrence within and across cases, confirming the frequency of the themes discussed by participants and verifying the key concepts described in the findings.

Once coding and analysis was complete, findings were presented to the HSO Directors to gauge accuracy and consider implications of the findings. In this group, several EDs had participated in interviews, and a few were new to the position or to the organization. Feedback from this group was collected and recorded, and highlights from the discussion were incorporated into the final reporting of the data.

Limitations

There are limitations to this exploratory study with respect to sampling strategy, timing of data collection and interview design. The county sample is relatively small and may represent issues unique to Bay Area HSO’s. The sample of interviewees was selected by agency directors, and only includes senior staff. As a result, dissenting views and the perspectives of line staff and middle managers may be inadequately represented. Respondent recall limitations may have affected the validity of findings, since interviews were conducted in 2013 regarding experiences beginning in 2008. However, the retrospective design enabled respondents to assess the relative success or failure of the strategies and tactics used. Finally, although the semi-structured interview format promoted depth and detail in responses, it may have contributed to missing data. Unless an interview question directly addressed a particular topic, it may or may not have been deemed relevant by the respondent.

Major Findings

The presentation of the findings begins with a review of: 1) the principles used to guide organizational decision-making in response to budget cuts; 2) the strategies used for making
those decisions; and 3) the organizational changes that were implemented in an effort to balance the budget. The next section of findings describes the strategies that were perceived to be effective, the factors contributing to success, the strategies that were less effective, and the challenges which inhibited efficacy.

**Guiding Principles**

“You know, I think that .....the agency and most of its programs made it through okay. I think our relationships with our CBO community held okay.... So we went through a series of years with big cuts and we kind of held it all together. So I guess that’s the good news of what we did and we followed our guiding principle in that sense.”

More than half of the county HSOs created a formally articulated set of guiding principles. The remaining organizations used a set of informally developed values and priorities to guide their decision making without articulating them in writing. Most of these principles were mission-related values related to client-serving programs (e.g. preserving children and family services, and prioritizing the welfare of children in the community), and certain administrative values (e.g. complying with federal and state mandates, preserving direct service staff positions, maintaining in-house and contracted service capacity and quality, and increasing efficiency to address record-setting demand for services) to support the implementation of agreed-upon organizational changes. See Table 1 for a summary of guiding principles.

[Insert Table 1 here]

**Decision Making Strategies**

The participating organizations used an array of strategies to help redefine priorities. In most organizations, program and staff performance data, combined with information about which programs were funded by county general fund dollars, informed new priorities. Another key to the decision making process for most county HSOs was the use of financial models and
time studies to create and test various budget reduction scenarios before making final programmatic or organizational structural changes. Many organizations integrated their current strategic plan with their process of reprioritizing.

Engaging critical stakeholders (e.g. staff, unions, clients, funders, community partners and community leaders) was a common strategy for decision making. This involved discussions with stakeholders about service reduction or elimination, and incorporating their input into organizational actions. Multiple communication strategies were used with internal staff to engage them in decision making, and leadership paid careful attention to consistent and clear messaging to staff around concerns critical to the budget reduction process.

While some efforts were made to engage mid-level and direct service staff, as well as union leaders in the decision making process, management frequently did not have the capacity to communicate effectively with staff. Many respondents reported that their staff provided feedback that communication related to budget reductions was insufficient, and were critical of top-down decisions made without the input of staff or community stakeholders. See Table 2 for a summary of decision making strategies, including stakeholder engagement tactics and concerns.

[Insert Table 2 here]

**Budget Balancing Strategies**

New priorities -- informed by guiding principles, new financial structures and agency data – inspired a range of strategies and tactics used by the participating organizations to balance their annually shrinking budgets during the recession years. Every HSO used solutions related to organizational re-structuring, internal and community partnerships, staffing strategies and fiscal management. Most HSOs also addressed the increased workload created by the budget-balancing strategies and the increase in service demand triggered by the economic downturn.
Restructuring the organization was the most common strategy for reducing agency budgets while attempting to maintain service capacity and quality. HSOs eliminated or reduced organizational infrastructure (e.g. client transportation services, training or planning positions or entire departments, and administrative support for direct service staff), as well as client-serving programs. Often in response to, or in conjunction with, changes to infrastructure, most organizations also reformulated programs in a more efficient or consolidated manner. Some examples of program reforms include moving from scheduled to drop-in appointments, conducting group intakes for entitlement programs or working with clients on the phone rather than face-to-face.

All HSOs looked for solutions to their fiscal challenges by creating new partnerships, capitalizing on existing ones, or adjusting contracts with partners. Every organization developed internal partnerships, within their own agency or with other county departments such as probation or behavioral health. Partnerships with other county divisions were utilized, for example, to transfer programs from the HSO budget to the budget of another department, ensuring service continuity. Partnerships within the HSO also helped to balance the budget, including inter-division transfer of funds to sustain a struggling division. Many organizations also reduced or eliminated contracts with community-based partners as a way to reduce their budgets. However, an equal number of agencies expanded or added contracts in order to maintain services at a lower cost. Finally, several organizations worked actively with community or county partners to identify duplication of services in the community and coordinate service provision by a single service provider.

The third most frequently mentioned category of solutions involved rigorous fiscal stewardship, such as reducing or eliminating unnecessary spending and increasing accountability
for staff and community contractors. Nearly every respondent also cited careful consideration of agency structure or policy to ensure that each program was maximizing the drawdown of federal or state funds. More than half of these HSOs also looked for additional ways to increase revenue. For example, two counties invested in staff to help clients on county-funded general assistance to apply for and obtain federal disability benefits, enabling the HSO to claim federal reimbursement for the general assistance benefits paid to these clients and increasing clients’ monthly income support. Many organizations also capitalized on the federal funds dispersed through the American Recovery and Reinvestment Act of 2009 to reinvent or reinvigorate programs that would have been eliminated or significantly reduced due to budget reductions.

Every HSO eliminated vacant positions and/or shifted staff from poorly funded programs to better funded programs. Most organizations also resorted to staff layoffs; however, with limited exceptions, layoffs were minimal as administrators capitalized on staff attrition. Almost half of the participating organizations implemented hiring freezes as a means of controlling staff costs, and quite a few agencies utilized voluntary or incented retirement to avoid layoffs. A few organizations recruited volunteers to supplement the workforce or to provide ancillary services, in some cases using newly retired staff as volunteers. The increased demand for efficiency and productivity led a few organizations to increase performance expectations for staff. For example, poorly performing staff were more quickly identified and moved out of the organization through disciplinary processes.

The remaining staff in every agency was left with a significantly increased workload. Organizational leaders were aware of this problem and, through direct supervision or agency wide communications, attempted to help staff prioritize their workload and identify tasks that could be left incomplete. Most of these organizations later brought in temporary or contracted
employees to help the organization catch up on the backlog of work left undone during these
times. Two organizations used overtime for current employees to help catch up on backlogged
work. See Table 3 for a summary of budget balancing strategies.

[Insert Table 3 here]

**Lessons Learned: What Worked and What Did Not**

As budgets began to be restored, respondents reflected on lessons learned to incorporate
into their regrowth. One agency director reflected, “Change comes out of something we’ve
blown up..... Once it’s blown up... you have to pick up the pieces again...and build in a different
way (by) throw(ing) away pieces that, you know, maybe the only reason you had them was
because you have had them for 30 years.”

*What worked.* The innovative solutions and increased partnerships that arose from the
economic crisis were seen as successes. Most study participants agreed that the budget crisis
spawned innovation, and shifted focus from temporary fixes to sustained organizational changes.
One administrator stated, “I think that in many ways the creativity happened after we got leaner.
It wasn’t how we got leaner-- but we got leaner and then we got better.” The majority of
innovations involved creative financial strategies (e.g. revising accounting methods, using more
accurate methods to project salary savings, finding new ways to increase revenue, or transferring
funds between programs based on funding availability). One organization developed “Budget
Projects” where each division in the organization was challenged to increase revenue or decrease
expenses in order to close their budget gaps.

Another common innovative practice was the formation of new partnerships with
community organizations, or the reconfiguration of existing partnerships, as a means of
maintaining service quality with reduced funds. For example, one county partnered with local
foundations to continue to provide services in the community that the HSO no longer had the resources to provide. In another county, a mutually beneficial partnership between the water agency and the youth employment training program gained great support from the community and positive response from the participants. The respondent reported, “So I had never met these folks at the Water Agency before, and one of our former Board of Supervisors members, who had been retired, introduced me to the water agency folks-- and said, you know, HSO has kids that need to go to work. Water Agency, you have work that needs to be done. This is a marriage made in heaven. And it really was, to the point where the first year paid for 300 kids to go to work.” The program was so successful it has been duplicated in surrounding counties.

Innovative solutions that capitalized on new information technologies were also employed by many of the HSOs. In one organization, leadership invested in mobile workplace technologies that allowed direct service staff, working primarily in the field, to enter case data in their car, at home, or on site with clients. Staff saved travel time because they did not have to start or end the day at the office, and the agency saved money on mileage reimbursement, increased staff efficiency, and facilities costs (close to one million dollars annually). Several other agencies used consumer-oriented computer-based technologies to streamline the intake and application process in benefits eligibility offices. Clients were be able to access many functions within the organization’s lobby through kiosks, private phones, computer stations, electronic reader boards, phone systems with IVR, and document scanning stations.

Programs were creatively redesigned to enable consumers to receive similar levels of services with fewer agency resources. For example, several participating organizations restructured their eligibility determination process from a case-based process (in which the intake worker follows a case from file opening to closure) to a task-based process (in which clients can
be served by any case worker, at any phase of their case). Some organizations developed new communication strategies for reaching out to the community or to their staff, such as investing resources in a media team to manage internal and external communication through video production and YouTube. Finally, a few organizations innovated through the use of volunteers, including recruiting volunteers to provide services to the aging population in the community, and asking recent retirees to implement a leadership development program for their middle managers. Another county erected a “triage tent” in the parking lot to address lobby overcrowding and enlisted the help of volunteers by recruiting individuals waiting in line for services.

Facilitators of Success. Several respondents stated that a supportive Board of Supervisors played an important role in their success in responding to the recession, as they supported the implementation of new, experimental solutions. While new information technologies posed additional challenges for most organizations, every HSO representative noted that information technologies were a critical aspect of surviving the impact of the recession. An executive director reflected, “Technology has really saved us, because despite all the losses, (we went from) about 650 employees today ... down to about 400 employees and today we are probably up to about 450 (and) we are serving more clients today than we have in our history.” Several study participants noted that the data provided by their information technologies were critical to decision making and monitoring processes.

What Did Not Work. The majority of respondents referred to regrets about the ways in which communication, particularly with internal staff, was handled during this time. Another agency leader commented, “If I had to do that all over again, I would have been more transparent.” Some agency staff reported feeling that they should have provided more
opportunity for employees to participate in decision making, or that they should have explained more clearly the rationale for certain decisions.

Almost half of the respondents expressed regret about issues related to fiscal stewardship. A few agencies returned state or federal funding because they did not allocate their resources appropriately to generate the matching funds. Others were not able to maximize their federal or state drawdowns, in part due to the Board of Supervisors requiring them to cut state or federal revenue generating positions. In some cases, members of the Board of Supervisors did not fully understand federal and state matching fund mechanisms.

Almost all study participants discussed the importance of planning, forecasting, and anticipating consequences, even in the midst of the recession. A deputy director reflected, “It just didn’t seem like we had enough time and I think in retrospect... it is important to really know exactly what the immediate impact is, what the midterm impact might be, and the long term-- and for everybody to be aware of that.” Many respondents disclosed a variety of ways in which a lack of foresight about the consequences of short term solutions devastated their organization. One example relates to voluntary employee separation incentive packages, which encouraged highly experienced, knowledgeable staff, to leave the organization at a time when skilled staff was needed. One county HSO leader reported, “We offered an early retirement incentive to certain classifications and as a result, we lost a whole bunch of line staff who were very experienced....and in hindsight it would have been better to ... have kept the organizational knowledge and the experience in the organization.”

A few organizations were early adopters and implemented time-saving technologies before the recession, which representatives reported to be an asset during the budget reductions. In other organizations, respondents expressed regret over delaying investment in such
technologies before the crisis hit. Attempting to implement those systems during the recession added additional stress and created more burdens for employees who were already overloaded. Another respondent considered, “When you’re cutting a lot of staff and you’re cutting a lot of budget, that’s probably not the best time to look at new technology.” New technology required extensive staff training, as well as new policies and procedures to support staff that experienced difficulty learning to use the new systems. A few respondents also reported disappointment that some of the technologies adopted did not deliver the projected efficiencies.

Implementation of new technologies during these recession years was especially difficult because many county HSOs had substantially reduced supports for technology such as IT specialists and trainers. Respondents in almost half of the organizations expressed regret over having eliminated critical planning, evaluation and/or staff development positions. If these agency leaders had looked beyond the recession, they might have preserved those positions. One agency director recounted, “So lesson learned there was that it probably was easier to hire back direct staff later than indirect service staff, probably easier to justify getting them through your local Board of Supervisors than it is to get your infrastructure staff back.” Respondents in other organizations, that were careful to preserve infrastructure positions, stated that they did so intentionally, recognizing that such positions would be more difficult to restore.

Constraints to Success. Often, the strategies identified by the study participants as poor choices were influenced by a range of environmental factors that forced or encouraged the organization to implement a particular strategy. Most participating organizations disclosed that communication efforts were hampered by constant changes in budget decisions made by the State, as well as the Board of Supervisors and the County Administrator’s Office. In addition, county political dynamics often inhibited open communication with the community and with
organizational staff. Other challenges in the organization’s environment emerged from budgetary commitments made before the recession hit. For example, one organization had recently purchased a new property with the plan to consolidate facilities, and another agency had committed to significant increases in retirement contributions. Additional complications resulted from difficult union relations, lack of support from the Board of Supervisors, and expensive consumer lawsuits brought in response to programs or services that had to be reduced or eliminated.

In many organizations, staff had limited understanding of complex social service funding mechanisms, and this affected the extent to which program level staff could contribute to decision making. An interviewee responded, “Other lessons learned, probably in terms of negative for us is probably around communication with our staff. I’m guessing…the deeper you go, the less staff know about what was cut, … Why does MediCal never get cut? Well you know because there is no general fund in MediCal.” The inability to engage all levels of staff in meaningful or productive discussions around budget reductions highlighted the need to better educate program level staff about county social service financing. In addition, a few study participants noted that the lack of support from their Board of Supervisors was due, in part, to the Board’s lack of understanding of social service finances.

Another budget reduction stressor experienced in most organizations related to “bumping” (e.g. the right of a senior employee to displace a newer employee, when the senior employee’s position is eliminated). Often staff were bumped into positions for which they had no experience or expertise, increasing the need for staff training at a time when all organizations had reduced resources for such activities. Bumping processes also led to an increase in staff
turnover, when senior staff were unsuccessful in new roles or newer staff resigned to avoid being bumped.

In addition to bumping, organizations also experienced “brain drain,” losing some of the most experienced and knowledgeable staff to staff turnover and/or incentivized early retirement. Organizations could not replace the lost experience and expertise quickly enough, and some programs and processes temporarily declined in quality. Increased turnover was cited by several organization as an ongoing additional challenge during the recession years, and the drastically reduced workforce became a bigger problem when county HSOs needed supplemental staff to launch the enrollment phase of the Affordable Care Act (ACA) towards the end of the recession.

Discussion

Many effective strategies reported by managers in these eleven county HSOs reflect tactics supported by previous literature on managing public sector cutbacks. For example, revising the organizational mission and articulating guiding principles to establish new priorities was viewed across the board as an effective maneuver for making decisions. Many of these agencies adjusted their mission to focus strictly on the state and federal mandates under which they operate. Other successful strategies include creating new inter-departmental collaborations, engaging stakeholders and forming new relationships in the community. Every organization found innovative ways to maintain quality and capacity in the context of diminished resources, and several organizations created incentives for successful downsizing.

In contrast, some HSOs implemented approaches that cutback management scholars have expressly advised against. Several organizations experienced a substantial brain drain created by incentivized retirement programs and bumping policies that encouraged staff to leave the organization. Respondents in most organizations reported that bumping, along with drastically
increased workloads and job insecurity, made it difficult to maintain staff morale. Few organizations used strategic planning to actively guide decisions during this time, and many organizations reported setting it aside or putting it on hold during the recession years.

Eric Goplerud, Steven Walfish and Anthony Broskowski (1985) note that leaders’ actions may diverge from the values and strategies they espouse. Instances of similar divergence were noted in this study, as external stressors or constraints prevented senior managers from acting in accordance with expressed values. The inability to act resulted in negative consequences, usually reduced staff morale and increased staff turnover. For example, several respondents noted the importance of planning ahead, but failed to anticipate the consequences of their decisions regarding implementing new technologies or reducing agency infrastructure. Both actions further burdened remaining staff and, in some cases, extended the recovery and rebuilding timeline. A few participants acknowledged that the need to take immediate action overrode the organization’s commitment to long-range decision-making, a phenomenon observed in past organizational decline studies (Jerrell & Larsen, 1984, 1985; Murray and Jick, 1985).

Discussing study findings, some HSO Directors reported that they were compelled to make program or infrastructure cuts that were grossly misaligned with organizational values because they had reached a point in the recession when there was nothing remaining in the budget that could be cut. This experience appeared to be more common in organizations that approached cuts incrementally, rather than making deep structural reductions in the initial years of the recession. This finding highlights the importance of identifying key information and developing forecasting models to inform cutback decisions in future recessionary periods.

Results also suggest that county HSOs charged with budget cuts face many of the challenges outlined in Levine’s original theoretical framework for public sector retrenchment.
(Levine, Rubin & Wolohojian, 1982; Levine, 1978; Levine, 1979). Levine’s insights highlight the challenges that are unique to public managers and which fundamentally shape public management practice, including complying with legislative and judicial program mandates, and responding to political actors. In this study, HSO efforts to shore up staff morale were hampered by political agendas, civil service union regulations and workloads required by legislative mandates. In one instance, an HSO leader was explicitly told not to share critical information with staff or the public until after an important election. When deciding what and where to cut, careful consideration of future repercussions was hindered by the uncertainty of legislated funding mechanisms and changing political priorities.

An important study finding, rarely noted in previous research or theoretical frameworks, is the impact of complex social service funding mechanisms on staff participation in organizational decision making. Direct service staff, mid-level staff and members of the Board of Supervisors were often unfamiliar with the intricacies of social service financing, creating challenges for human service administrators who sought to include employees in decision making and work collaboratively with elected officials. The role of information technology in each organization’s crisis management story emerged as another important finding. While almost every respondent reported that new technologies were critical in streamlining business processes and providing data to guide decision making, many also noted frustration associated with implementing technology and developing staff competencies. In publicly accountable HSOs, such ambivalence is heightened due to the intense need to effectively manage data for high volumes of service consumers and complex governmental programs which is hampered by the bureaucratic rules and process that complicate governmental work.

Further Research
At the time of the interviews in the spring of 2013, many organizations were beginning to expand and rebuild. One agency leader replied, “It feels like we are coming out of a war, and we are looking at the limbs we lost, and we now need to redesign the organization to be in a more stable position.” For some respondents, down-sized organizations became the new reality that required collective adjustment. One participant described the new normal: “We have seen our high, but I believe that that’s government everywhere.” The shift in managerial perceptions highlights the need to transform how scholars and executives view this topic. The tension between leaders’ values and their ability to execute actions informed by these values, as well as ways to inform long-range strategic approaches to budget reductions, are topics for further examination.

Though many study participants concluded that their organizations had emerged from the budget reduction era as stronger and more effective, there were continuing concerns about technology adoption and communication strategies. In addition to the stress and frustration associated with information technology adoption in the midst of organizational change, there was continuing dissatisfaction with communications messaging and staff engagement. These concerns call for further research that: a) identifies the advantages and limitations of information technologies in human service settings, b) identifies the components of adoptable, effective agency-wide communication strategies, and c) explores the specific ways communication and information technologies can be used to enhance each other as staff continue to engage in substantial emotion-based work. The development of guidelines that address the appropriate content, timing and media for communications with staff at each level of the organization would be a useful outcome of research in this area.
Additional inquiry might identify information relevant to organizational decisions in regards to broad cutback strategies. Studying organizational leaders that employed an incremental reduction scheme throughout the recession, as well as leaders who utilized large systemic cuts at the beginning of the recession, might yield data to assist HSO directors in making reasoned, evidence-informed judgments that match the retrenchment strategy to the needs of their organization.

**Practice Implications**

The experiences and strategies of these organizations illustrate successful approaches for streamlining an organization and can be applied immediately in practice settings. Findings point to two categories of practice implications: 1) Tactics to employ when the organization is thriving in order to prepare for the next round of budget challenges and 2) Tactics to employ when faced with the need to reduce budgets.

**Tactics to prepare.** For an organization to best position itself for resiliency in leaner times, leaders should invest in creating and maintaining positive and collaborative relationships with key stakeholders, including elected officials, the Board of Supervisors, other county departments, labor unions, and partner organizations in the community. It is also important during times of economic health for an organization to encourage internal department leaders to collaborate and integrate across divisions within the agency. Established strong partnerships within and among these entities will position an HSO to capitalize on those relationships to leverage resources for maximum service efficacy.

Additionally, HSO’s need to educate middle level and direct service staff, as well as the Board of Supervisors, on the basics of social service funding mechanisms. Taking this step now will enable HSO leaders to meaningfully engage all levels of staff in decision making about
budget reductions, and minimize conflict and misunderstanding with Supervisory Boards. Agencies would also be well served during times of relative financial stability to proactively invest in identifying and implementing capacity building technologies and developing a robust volunteer base in their community, to help maintain service standards when fiscal resources are constrained.

Finally, imaginative problem solving and the ability to think beyond the status quo is imperative to operating in the new reality of smaller government human services, and is a practice that must continue in less lean times. The ongoing challenge to create and find innovative approaches to budget and service efficiencies must become a normative management practice. One respondent said, “I once had someone tell me that there is such a thing as having too much money because it creates this sort of false, and I don’t know if I even want to say that out loud, but it creates, it makes you sort of lazy in the sense that you don’t have to look for other ways of doing things.”

*Tactics for Budget Reduction.* The recurring themes related to anticipating consequences of budget reduction decisions, preparing IT resources, and predicting staffing needs, point to the benefits of continuing to advance an organization’s strategic plan and taking the time to think through potential repercussions, even in the face of financial crisis. A director stated, “And we started that [strategic planning] when the down turn was at its height, because I always think that’s a good time to plan. Because you’re not going to stay in the mess forever, but you need to be ready for when things are better.” Strategic plans built in collaboration with partner organizations and other community stakeholders are a robust way of maintaining engagement with these stakeholders during crisis times, as the strategic plan continues to be implemented and revised. Maintaining a focus on collaborative strategic planning will help organizations identify
and direct limited resources to organizational priorities, and position the organization for expansion when economic challenges lessen. As the same respondent pointed out, “A lot of what’s in that strategic plan didn’t cost money.”

This study also highlights specific tactics that should be avoided when faced with budget reductions. Agency leaders should minimize bumping when possible and take action to mitigate negative repercussions when it cannot be avoided by matching staff with appropriate open positions and investing in rigorous training for employees new to a position or department. HSOs should also consider alternatives to voluntary separation incentive packages in order to preserve organizational knowledge and expertise. Organizations should minimize reductions to organizational infrastructure, because these positions can be critical to support decision making and are difficult to restore once eliminated. HSOs that avoid these practices during difficult times, and capitalize on economic stability to continuously prepare for leaner times, are organizations that will thrive, not just survive, in the face of economic adversity.

References


