Our People Are Our Best Asset: The Promise of HRM in Public Healthcare Facilities.

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Abstract The paper focuses on the experience of the Victorian public health sector and explores the views of three main actors, the Department of Human Services (DHS), employers and health unions, in relation to the opportunities and constraints of the practice of HRM in the industry. We argue that there is a convergence of views in relation to three main areas; the focus of HRM at the workplace, the importance of greater investment in HRM, and the role of government. However, despite evidence of convergence it is also clear that each party has a different definition of the character of HRM and views HRM as a way to perpetuate their own interests, particularly in the area of centralisation/decentralisation of employment conditions and processes. Implications are then drawn for further research.

Over the past two decades governments around the world have become increasingly concerned about the rising cost of health care as the sector faces greater consumer demands and wide ranging technological and medical innovation and development. The need to deliver world-class standards of health care by highly trained and motivated staff is a constant challenge. In this context there is an emerging awareness of the major role of health care staff and the potential that more effective people management strategies could have on improved performance in terms of patient outcome and cost effectiveness.

This paper explores the promise that human resource management has for health care performance. First, it investigates the growth in interest of human resource management practices in the health sector in particular the potential of high performance work systems. Second, it focuses on the experience of the Victorian public health sector and explores the views of three main actors, the Department of Human Services (DHS), employers and health unions, in relation to the opportunities and constraints of the practice of HRM in the industry. The central argument in the paper is that there is an emergence of interest and recognition that HRM can offer a new direction. We argue that there is a convergence of views in relation to three main areas; the focus of HRM at the workplace, the importance of greater investment in HRM, and the role of government. However, it is also clear that each party has a different definition of the character of HRM and views HRM as a way to perpetuate their own interests, particularly in the area of centralisation/decentralisation of employment conditions and processes.

Background

Over the past twenty years there has been an international focus by governments on achieving efficient and effective health services. In most OECD countries health care accounts for a significant proportion of GDP. Australia is an average spender at 8.5 percent (AIHW, 2000:224). The health care sector is largely publicly funded and hence dependent on government policy for direction setting. Health sector reform focusing on new forms of funding, the introduction of markets and competition and cost reduction has been a major feature of government policy worldwide (Bloom, 2000).

Yet until relatively recently little attention has been given to human resource management approaches in health care or the impact of government policies and environmental change on the management of the workforce at the organisational level (Saltman, et al, 1998). This lack of focus on people management is surprising considering that the industry is labour intensive, highly educated and accounts for a large proportion of total costs. Instead the labour force has been seen as a target for cost savings and government policies have often focused on costs and efficiency (Thornley, 1998) rather than innovation and human capability building (Bach, 2000,

Stanton, 2002a). This approach mirrors international developments in employment relations, which include decentralisation and deregulation of working arrangements with a greater emphasis on increased productivity and the flexibility of labour (Harbridge and Walsh, 2002).

Since 1992 there have been two distinct government policy directions in the Victorian public healthcare sector. The Kennett Liberal Coalition government (1992-1999) focused on a cost reduction approach towards funding arrangements, leading to a culture of 'doing more with less', and a decentralised 'arm's length' or 'steering not rowing' approach to the management of health organisations. Stanton's (2002b) study into employment relations in the Liberal Coalition years in public hospitals found that much of the promised autonomy did not eventuate and health organisations were still controlled by government directions. There was also inadequate long-term human resource planning within the health sector and no proactive support for investment in local HRM during this period (Stanton, 2002b).

In contrast, the Labor government (1999 – current) has invested more heavily in the health care sector, but has relied more openly on greater centralisation particularly in areas such as industrial relations. The new government inherited a public health industry that was in poor shape financially because of years of budget cuts. Its response was to put more money into the sector, to re-emphasise planning including establishing a Workforce Planning Branch, put a greater focus on quality not just efficiency and on collaboration rather than competition (Stanton, 2002a).

HRM in the Public Health Sector: Current Research

HRM can be thought of as the use of modern psychological and organisational techniques to manage efficiently the human resources of an organisation for the benefit of the firm, employees and society. HRM expounds a proactive, integrative series of interventions, which promote 'organisational fit', the integration of organisational strategy, cultural change and dialogue between key stakeholders at the workplace (Boxhall and Purcell 2003). Walton (1985) calls for a transformation of employee management techniques from 'control' to 'commitment' based strategies where people are viewed as an asset rather than a cost. HRM can also be seen to be about change, Guest (1990:378) argues, that HRM 'offer(s) something new, a way out of the impasse'.

In theory a labour intensive, highly motivated professional workforce as in the health sector should be an ideal context for the successful implementation of human resource management practices. However, the literature suggests otherwise. First of all the people side of management has often been ignored in the pursuit of health reform both internationally (Saltman, et al 1998; Bach 2000) and in Australia (Bartram, et al 2003). Second, the health sector is largely government funded and often organised around a public service model. The experience of HRM in the public sector has not been so encouraging, a report from the OECD (1995) suggesting that the public sector is still 'highly centralised, rule bound and inflexible'. Third, despite the contention from Kessler and Purcell (1996) that government reforms had given organisations such as hospitals more strategic choice at the organisational level, recent evidence suggests otherwise. Bach (2000) in the UK argued that hospital employers were constrained in their actions not only because they were subject to the whims of government policy but also because they sit within a wider framework of powerful stakeholders. Stanton (2002b) found a similar situation in Victoria and that even though Victorian hospitals had more independence than many of their interstate counterparts they still had to work within a wider centralised employment relations framework.

Barnett et al (1996) in a comparative study from the United Kingdom and South Australia on the experience of HRM in hospitals expressed optimism from the UK findings but pessimism from the South Australian experience. In the British case study they found that the HRM department had some success in shaping local factors. However, in South Australia they argued that the centralised industrial relations framework limited the HRM function. They also noted that there often existed contested ownership within the senior management structures with some hospital managers not willing to allow a strategic role for the HRM department. In fact, Patrickson and Maddern (1996) reflecting on the Australia end of this project found that HRM in South Australian hospitals largely carried out a regulatory 'personnel' function as 'the keeper of the rules'.

Recent studies have highlighted the need for innovation, particularly in the area of HRM within the health sector (Dwyer and Leggat 2002; Stanton 2002b). Dwyer and Leggat (2002:25), suggest that an 'innovative capacity can be enhanced through enabling and supporting human resources….'. Growing a highly skilled, talented and innovative workforce is seen as a key objective of human resource management. Gillies, et al (1997) suggest that new models of health care require "new world" positions with "new world skills". Dwyer and Leggat (2002:27), suggest the need for 'greater innovation in support of goals like access, productivity, quality and safety …'.

There is a growing body of research that explores the critical role of human resource management in improving organisational outcomes (Huselid, et al 1997). They claimed that 'scholars have yet to reach agreement', but the consensus is that it involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital contributes to the achievement of its business objectives – via compensation systems, team-based job designs, flexible workforces, quality improvement practices, and employee empowerment.

Likewise, case studies of high-performing organisations have consistently pointed to effective people management as a critical factor in the success of those organisations. One of the issues here is getting support and recognition of this in the healthcare sector. The high performance management literature links people management strategies to performance. A major problem in the healthcare sector is the contentious nature of the measurement of performance. Performance is often seen in terms of activity such as increased throughput, but increased throughput can undermine the quality of service delivery and hence patient satisfaction (Duckett 1995).

Two notable studies have attempted to link people management practices to improved patient mortality in acute hospitals. The 'Magnet' hospitals study in the USA focused on hospitals that attracted and retained good nurses through their people management practices. The study examined the relationship between good nursing care and mortality rates and found that hospitals that were 'magnet' hospitals had lower patient morality rates (Aitkin 1994). West et al (2002) in the UK also focused on patient mortality but included a range of people management practices including appraisal, teamwork and training. Again the researchers found a link between these specific practices and lower patient mortality.

There has been no comparable study in Australia. However, Australian state governments as the major funders and providers of public hospitals are increasingly concerned with the quality and effectiveness of service provision. There is increasing awareness amongst the key stakeholders that an emphasis on people management

might offer some direction in this area. This study focuses on the public health sector in Victoria.

Research method

This is a qualitative study supported by a collection of key documentation. The data included a series of key informant interviews carried out between 1999 and 2000 with eleven senior employers and human resource directors, eleven trade union officials, one employers' association representative and two officials from the DHS. The data also includes a collection of background documentation and another series of key informant interviews and a focus group carried out in 2002/2003. Participants included four Human Resource Directors, two employer association officials, three DHS officials and four trade union officials. The interviews took between one to two hours and were audio-taped and later transcribed. For this inductive investigation, we rely largely on the presentation and analysis of rich description, in the form of these management, governmental and trade union narratives. Alvesson (2003:13) suggests that 'advocates of interviews typically argue that this approach is beneficial inasmuch as a rich account of the interviewee's experiences, knowledge, ideas, and impressions may be considered and documented'. Where relevant, the content was validated by supporting evidence obtained from observation and archival material (Silverman, 2001).

The potential of HRM- the employer's view

For the employers in this study one important new direction was some recognition of the potential of a more proactive HRM practice at the organisational level. The Kennett government did not see HRM as being the business of government. To a certain extent this 'arms length' approach to management provided some opportunities for local initiative, however, the focus on cost control heavily constrained the development of HRM. There was no money available to invest. In contrast the Bracks government has invested heavily in the system but its initiatives have been centralised and hence, have provided another kind of constraint for the development of local HRM.

All employers and managers interviewed for this study remarked on the potential of HRM to rejuvenate and improve organisational performance. However they all described the lack of active support from either government to do this. Employers and managers argued that given the fiscal pressures in the healthcare sector, re-organisation and greater investment in HRM is pivotal but successive governments had not appreciated this point and in fact existing structures and processes undermined local investment. An employers association official commented:

There has not been a recognition that you have to make an investment in your workforce in order to reap the benefits that a workforce can bring. In the nature of such investments they tend to be medium to long term and the whole ethos, the whole cultural base of public hospitals is a nine-month to twelve-month financial horizon. It's not uncommon for hospitals not to know what their annual budget is until October and November; this creates a profound preoccupation with a focus on costs (EA1).

Employers also commented on the political nature of the healthcare sector and the government's knee jerk response to issues like hospital waiting lists and ambulance bypass which are always going to receive priority funding over something that is often seen publicly as spending money on more managers.

Employers also recognised the complex web of well-established institutional arrangements within the public health sector and the potential conflict between central

and local decision-making. The return to centralisation under the Bracks government was supported by trade unions but not welcomed by all employers. Most employers saw a centralised role for wages and conditions but wanted to have some flexibility at the local level for labour utilisation issues. They argued that a 'one size fits all' centralised approach does not allow for local peculiarities. As one HRD suggested: *There is scope for centralization of state issues. The government needs to take the lead. Industrial relations is a good example. If you are going to have an award system then the IR system needs to be managed centrally. They control the money (HRD4).* However, he also argued that local issues need local decision making and good communication could only be built up at the local level.

Many of the HR directors interviewed suggested that the government could play a more visionary role with respect to health sector innovation than they do at present. Many of the HR directors argued that government could play a more enabling role, setting general policy parameters and encouraging local HRM initiatives by supporting them with appropriate funding.

Managers also recognised that HRM within the workplace should not just play a regulatory function and that genuine human resource change: *is about culture, and it is about communication, it is about empowerment, it is about getting structures right and it certainly is about understanding and getting down to issues of genuine staff development (*HRD2). In order to play a key part in this cultural change HR directors believed that they should have power within the organisation and be part of the decision making of the executive team. This was not always the case in every hospital. As one HR Director said: *My peers in other organisations that are just HRM managers [managers who do not sit at the executive level] are frustrated because whilst the organisation espouses the principles of HRM they don't practice it ….…There is a lot of rhetoric about the importance of HR (BM2).*

Many HRDs believe that the HRM area is not well resourced and that too much time and money is spent on administration. *The ideal structure would revolve around HR as a coaching and facilitating knowledge – but not doing it themselves. In a sense the HR function would provide an advisory function. An educational role. Key management decisions should be left to the functional experts. The HRM function should be decentralised to reflect the different functional areas. The management ability of many of our managers in the functional areas is not strong enough. It is really a case of re-defining HR as a function rather than a department (MB1).*

In summary, employers held the view that greater decentralization of the HRM function to the workplace level would be an important advance. This decentralization necessarily requires greater resourcing of the HRM function and management development. Employers held the view that the role of government in workplace management should be to identify systems wide issues and difficulties, and provide leadership and resources to minimise these problems.

Government views and experiences with HRM

There was a clear difference of views expressed by officials from the two different periods of government. Department of Human Service officials under the Kennett government did not see HRM as their concern. However, one official did comment on the lack of human resource planning believing that hospitals were limited in their ability to influence future labour markets and the governments lack of attention in this area was leading to massive labour supply problems not only in nursing but also in areas such as pharmacy and radiography.

Under the Bracks government the officials were more proactive. The DHS is actively collecting data on a range of issues not considered vital by the previous

administration, including the numbers of staff employed, labour turnover, and sickness and absenteeism figures. The Workforce Planning branch is investigating workforce issues for different professional groups and streams of care, and invited applications from the field for funding for innovative pilots around recruitment and retention. As one DHS official commented: *we got some great responses from on the ground. Because of course they bloody know what's going to work because they're the ones that have been trying to employ people for twenty years.*

Government officials also stressed a bigger focus on partnerships from the Bracks government, in particular building relationships between employers and unions in the area of industrial relations. Government officials did not apologise for the government's more centralised approach to industrial relations but one official did stress the importance of being closer to the HRM people on the ground who are close to the realities of the industrial situation. He also stressed the difference between the systemic issues and the local organisational issues and the DHS role in each. He argued that the DHS can get collaboration with organisations around particular policy initiatives that are systemic, and need systemic solutions but many HRM issues need local solutions. In many ways this view was similar to that of the employers who saw government as the enabler, setting the broad agenda and funding pilot studies of industry-wide issues.

Union views and experience with HRM

Very few studies have explored the day-to-day relationship between the human resource management function and trade unions within public health sector in Australia. In this study most of the trade union officials interviewed were positive about the potential of HRM rather than being suspicious of it. As one union official commented on his experience: *Good HRM is all about collaboration between trade unions and management. The role of the HRM function should be one of teaching management to interact positively with trade unions - to find solutions to problems in a collaborative manner. It is important to build understanding through a consultative approach (UO2).*

Although unions were supportive of HRM, they were also the most forceful about centralization particularly in terms of industrial relations and the bargaining process. From the interviews with trade union officials it was clear that they will not give this greater centralisation away without a fight. All of the health sector trade unions had resisted decentralisation of wages and conditions through enterprise bargaining in the Kennett years (Stanton 2002b).

Despite the commitment to centralised systems, the health sector unions saw some advantages in supporting local HRM developments, in terms of the possibility of mutual gain for both the employer and the union. There was some evidence to suggest that unions and management could collaborate in order to lobby the government to secure additional funding. More specifically there may be scope for mutual gain from management-union co-operation as managers search for organisational effectiveness and employees for job survival in a context of fiscal restraint (Guest and Peccei, 2001). This is part of a positive-sum game in which both managers and workers gain. One union official remarked:

The HRM department sees having a positive relationship with trade unions as a way to get additional government funding. The union and management lobby the government to get additional funding so that members jobs can be protected and the hospital retain the quality of their services and excellent reputation. Currently in my view this health services is the leading health service in the state. More resources are

needed for the HR function so as to avoid disputation and promote the betterment of employees (UO2).

Management and trade union collaboration also takes the form of humanistic interventions in areas such as occupational health and safety and equal employment opportunity. These are jointly developed at the workplace. Trade unions, through collective bargaining and 'shock' effects may positively influence the adoption of the 'humanistic' and collectivist elements of HRM. Recent studies have shown a positive relationship between trade union presence and the intensity of HRM practices (Wagar, 1998). *A positive relationship between management and the trade union means that we can have a greater impact on guiding HRM policy, particularly in areas such as OHS and EEO, and promote a more effective relationship. Greater collaboration is a pathway to promote the welfare of our members and a means by which we can influence job-redesign to save our members jobs (TU Secretary).*

In summary, trade union officials interviewed held positive views towards the promise of HRM within the Victorian public health sector. Subsequently they held the view that the HR function should be better funded. Despite the positive views of HRM by the trade unions, it is evident that they emphasise the implementation of collectivist and humanistic HR policies, which may not always be congruous with that of management. In a similar vein, trade unions are also critical of any management or government attempts to decentralise the collective bargaining process.

Discussion and Conclusions: Fulfilling The Promise.

There are clearly some similarities in the approach to HRM by the three players. All agreed on an increasing focus of HRM at the workplace with a role for government as the enabler, introducing policies that encouraged greater strategic choice at the workplace level. However, while trade unions and employers were keen to see more investment at this level, government officials did not make any promises that funds would be available. Employers too thought that government was not likely to emphasis human resource management as such as they are much more concerned by emergencies and dramas such as ambulance bypass issues and bed utilisation which have direct political impact. Investment into HRM they believed was seen as money being put into management and administration and not people.

Another difficulty is that although employers and government officials saw greater focus for HRM at the workplace level trade unions fought strongly for issues around wages and conditions to stay centralised thus adding to the silos created by different professional groups often working against each other. Any decentralisation has to deal with these issues. Moreover, the parties, particularly employers and trade unions emphasised different elements of HRM as being important. Management saw the role of HRM one that was concerned with building greater synergies between staff and breaking down the professional barriers, improving accountability and thereby improving the quality of patient care. In contrast, trade unions were concerned with the introduction of collectivist and humanistic HRM practices such as improving and strengthening equal employment opportunity, employee consultation and reducing occupational health and safety incidents.

Within this discussion, the data also reveals that each party has their own agenda concerning their interest in HRM. Employers interviewed held the view that HRM could improve the utilisation and morale of employees at the workplace given fiscal restraint and subsequently organisational effectivenesss and the quality of patient care. In contrast, trade unions viewed HRM as an opportunity, vehicle to gain greater influence at the workplace level, and develop a more professional image to subsequently recruit additional members. The government, viewed HRM as a vehicle

to better utilise HR resources and public funds. Worthy goals in the context of the high cost of healthcare. Human resource management, however, was clearly regarded as something that managers at the workplace developed and perpetrated. The current government took a passive view of their involvement in managerial matters as this was regarded the domain of hospitalmanagers themselves.

Some solutions might be around government setting the broad agenda including centralised wages and conditions but enabling labour utilisation issues to be decided at the local level. This could be done through funding innovative pilot programs where organisations are carrying out best practice. Such pilots could also attempt to link HR to performance by identifying key high performing organisations and exploring the reasons for their success. This would involve integrating the research and development of hospital performance with that of people management practices.

In summary, under the Labor government more money has been put into the public hospital system and this has been welcomed by all players as has the move away from competition and cost reduction. However, the return to centralisation whilst supported by trade unions is not welcomed by all employers. Most employers see a centralised role for wages and conditions but want to have some flexibility at the local level for labour utilisation issues. They argue that a 'one size fits all' approach does not allow for local peculiarities. For all parties to achieve the promise of HRM, a greater depth of positive and innovative dialogue must be fostered within the Victorian public health sector. The development of models of HRM that will make inroads into serving the interests of all of the actors and improving the quality of patient care is seen by many of the actors as timely and long-overdue.

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