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

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ABSTRACT

This exploratory qualitative study examines the experiences of eleven county human-service agencies as they worked through the budget reduction process during the Great Recession (2008–2013). The principles and values that guided decisions are identified retrospectively through an analysis of 46 individual interviews with members of the senior management in each organization. The findings include decision-making strategies that include the engagement of stakeholders as well as the tactics employed for balancing the budget. The study informants reflect upon the success of their actions and upon the environmental and organizational factors that facilitated and constrained managerial decision making. The study concludes with implications for practice and future research.

KEYWORDS

Cutback management;
human service
management; innovation;
organizational
communications;
organizational planning;
technology adoption

In the fall of 2008, Lehman Brothers, a global financial services firm, filed for bankruptcy, marking the beginning of a global financial crisis that disrupted the U.S. economy and global markets. Individuals and families across the nation were losing their jobs and their homes, and were turning to county human-service organizations (HSOs) for help. Applications for public assistance programs increased substantially, and the need to process and determine eligibility for an unprecedented number of applicants stretched organizational resources. The circumstances surrounding the budget reductions for human services from 2008 to 2012 were unprecedented with many fearing a repeat of the Great Depression of the 1930s. When searching for prior experiences with substantial budgetary cutback strategies for social services, the major examples of budget reductions were in response to a change in federal legislation during the Reagan era in the 1980s. While these reductions to social welfare budgets created serious challenges, they occurred during a time of relative economic expansion in the United States.

In order to inform current managerial practice and to lay groundwork for further empirical examination of the Great Recession, this qualitative empirical study captures and describes the principles and factors that guided HSO leaders in reducing budgets while expanding public social services. This analysis begins with a description of the environmental conditions leading up to and surrounding the HSO budget reductions in California during the Great Recession and reviews the literature on cutback management in public organizations during the late 1970s and 80s. Within the context of qualitative research methods and their limitations, key findings describe how organizational leaders engaged with stakeholders to capture shifting organizational priorities and use these formalized priorities, agency data, and financial modeling to reduce the HSO's reliance on county funds and maximize their federal funding through the use of innovative organizational and programmatic restructuring and increased partnerships. The decisions of organizational leaders and

managers were often shaped by the size and structure of the organization and by the nature of relationships with the elected board of supervisors, the offices of the county administrator and the relationships with labor unions. The discussion reflects on current and historical differences in environmental resources and stressors that may contribute to variations in cutback approaches. The article concludes with implications for further research and practice principles for addressing significant budget reductions.

The Great Recession

The 2008 collapse of the financial markets led to negative growth in the U.S. gross domestic product in 2008 and 2009, and the national unemployment rate jumped to over 9% (Center of Budget and Policy Priorities, 2014). The federal budget, already with a deficit of over one trillion dollars, 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, & Palacios, 2012).

In California, unemployment reached an all-time high of almost 12% in 2009 (California Budget Project, 2009), and there were successive multimillion- 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 reduce 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, & 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 and for 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 that are generated through county property taxes. When the housing bubble burst, property values plummeted, and property tax revenues dropped drastically in 2008 and 2009. Owing to major reductions in state allocations and to shrinking county general funds, counties faced budget reductions ranging from 15% to 30%, resulting in the elimination of hundreds of millions of dollars from their operations. Administrators and managers were being forced to address the reduction or elimination of state allocations for safety net programs. In the context of significant budget reductions and increased demand for services, the choices made by county human-service-agency leaders shaped the services available in their counties during the financial crisis.

Literature highlights

Beginning with 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 began to examine the phenomenon. Early scholarship on the subject was largely theoretical as illustrated by Levine’s (1978, 1979) theoretical framework for understanding public-sector retrenchment related to legislative and judicial program funding mandates and to 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) and the process for allocating cuts within an organization (Bigelow & Stone, 1995; Levine et al., 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. These are illustrated in Figure 1.

Pandey (2010) points out that the structure and processes of public organizations affect the strategies and tactics that can be accessed when dealing with budget reductions. For example, public organizations can expect and rely on a steady flow of resources that allow them to function in a relatively stable operational environment. However, in a public organization, leaders are limited regarding what actions can be taken to increase resources. In addition, Pandey (2010) notes that the goals of public organizations are often appealing and well-supported by employees and the public because they are designed to serve community needs. As a result, the organization has less input in setting goals and “compromises among competing interests in the political arena filter down” to goals that are multiple, conflicting, and vague (p. 566).

I. Revisiting organizational mission

- create a mission-based strategic plan that both informs cutback implementation and allows for adaptive shifts to new funding sources (Austin, 1984; Behn, 1980, 1988).
- engage in 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)
 - 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).

II. Engaging governance structures

- develop relationships with key policy makers and constituencies (Austin, 1984; Behn, 1988); engaging in innovation (Behn, 1988; Biller, 1980; Glassberg, 1978; Levine, 1978)

III. Engaging in systematic decision-making

- 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)
- create incentives and rewards for successful downsizing (Behn, 1988; Biller, 1980; Levine, 1979; Levine, Rubin, & Wohojian, 1982)
- focus attention to either long-term or systematic planning (Goplerud, Walfish, & Broskowski, 1985; Jerrell & Larsen, 1984, 1985; Murray and Jick, 1985).

* Bigelow & Stone, 1995; Levine, Rubin, & Wolohojian, 1982; Murray & Jick, 1985; Reisch & Taylor, 1983

Figure 1 Lessons learned from the 1980s for navigating the retrenchment of public programs.*

Overall, however, empirical investigation into public sector cutback management remains limited, 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). To encourage more contemporary thinking about the nature of cutback management in public organizations, Bozeman (2010) notes that research into public-sector cutback management largely fails to examine the effects of budget reduction on organizational structure and design. These studies tend to focus more on strategies for dealing with decline than on examining cutback processes within the context of organizational recovery. Bozeman points to the need to examine public cutback processes in the context of long-term strategic management, in which organizations can expect to deal with decline but also plan for recovery or expansion (p. 560).

This study seeks to respond to Bozeman's critique of the literature by examining modern strategies for addressing budget reductions, the impact of such strategies on organizational structure and programmatic design and the relationship between organizational and environmental features and managerial strategies. The current study provides an empirical examination of modern public-sector cutback management and was designed to inform current and future HSO managers by addressing the following research questions:

- (1) What contextual factors influenced decision making by organizational leaders and managers?
- (2) What principles guided organizational leaders in the process?
- (3) What strategies were used for decision making?
- (4) What tactics were utilized to reduce the budget?
- (5) What were the most critical lessons reported by leaders and managers?

Methodology

This qualitative study examines the cutback strategies of 11 California county human-service agencies located in the San Francisco Bay Area. A qualitative approach was used as a means of capturing detailed, in-depth descriptions of the budget-reduction experiences of county HSO leaders and staff related to the interorganizational and intraorganizational challenges emerging from the Great Recession. During the economic stagnation between 2008 and 2013, all bay area HSOs experienced substantial 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-services 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 HSOs.

County demographic characteristics

The 11 county HSOs differ in population size and include one small rural county with fewer 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 and 2,000,000 residents. Counties also range in physical size, from less than 47 square miles to over 3200 square miles. Though all 11 counties are considered to be metro areas by the U.S. Census Bureau, the population density across the counties varies widely, from 17,000 people per square mile to 127 people per square mile. Income level and distribution in these counties also varies greatly; between 2008 and 2012, median household income ranged from \$60,000 to \$91,000, while persons living below poverty level ranged from 7.5% to slightly more than 16% (U.S. Census Bureau State and 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 fewer than 800 employees, four have between 800 and 1,500 staff, and four agencies have over 1,500 full-time staff. Three of the 11 county organizations are integrated health and human service agencies, providing public health and behavioral health services in addition to public assistance, child welfare, employment services, and senior services.

Sampling/data collection

Participating HSOs provided a diverse organizational sample in terms of organizational structure and size, budget size and required reductions, and staffing resources. The diversity of these characteristics provided leaders with different levels of flexibility or resources to influence budgetary decision making.

Qualitative interviews were conducted with three to six executive team leaders in each participating HSO. All interviews were conducted by the second author over the course of 4 months. Purposive sampling was used to identify the participants by asking each HSO director to participate in an interview and to identify other informants in his or her organization that could provide insight into the budget reduction process and experience. High-level leaders in organizations were selected because of their comprehensive understanding of all the factors that went into the decision making and the budget-reduction process. Front line or middle-management staff had less access to the various factors that contributed to making decisions, designing implementation strategies, and the technical fiscal tactics used to address budget reductions.

A total of 46 interviews lasting 60–75 minutes were conducted in 11 counties, 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 semistructured to elicit the experiences and observations of expert informants. Interview topics were drafted by the research team and were reviewed, revised, and finalized in collaboration with participating HSO directors to ensure coverage of key subjects that 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 change and changes to the use of technology and staffing).

Data analysis

The analytical approach involved multiple inductive-coding cycles to create holistic single-case studies for each county HSO (Saldana, 2013; Yin, 2003). The case studies were then analyzed in a multicase-study approach (Stake, 2006). Creation and comparison of individual cases, joined by several characteristics, lends external validity to findings observed across multiple cases. Though important findings in one case may be context bound, the emergence of similar findings across cases can begin to confirm that the observation is credible (Stake, 2006). Credibility increases when the analysis is conducted by a single analyst, with input from the research team, in combination with supporting evidence across cases.

All coding schemes were developed and applied by the first author using descriptive and focused coding that was validated through discussions with the primary interviewer, agency directors, and other members of the research team (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. During the fourth coding cycle, organizations and all coded excerpts from those organizations were tagged with descriptors cataloguing the organizational characteristics—for example, organizational size (small, fewer than 800 employees; medium, 800–1,500 employees; and large, over 1,500 employees); union involvement

(high, moderate, minimal); range of support from elected boards of supervisors; and type of agency (either only human services or integrated health and human services). These descriptors were created and applied because they emerged in the first two cycles of coding as important recurrent themes in the data, were discussed in a variety of contexts and with a wide array of impacts on organizational processes.

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 informants and verifying the key concepts described in the findings. Once coding and analysis were complete, findings were presented to the HSO directors to gauge accuracy and to explore the implications of the findings. In this group, several executive directors (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 HSOs in the San Francisco Bay Area. 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 are not 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, which allows researchers to examine strategies and tactics in the context of organizational regrowth. Finally, although the semistructured 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 and may thus have been omitted.

Major findings

The presentation of the findings begins with a review of (a) organizational and environmental factors affecting the cutback decisions of managers; (b) the principles used to guide organizational decision making in response to budget cuts; (c) the strategies used for making those decisions; and 4) the organizational changes that were implemented in an effort to balance the budget. The final section of findings describes what respondents reported as lessons learned by noting the strategies that they perceived to be more and less effective.

Organization structural and contextual factors

Inductive analysis of transcripts identified several common organizational, structural, and contextual factors that were either described by participants as assets to the organization throughout the recession or as liabilities that impaired functioning during cutbacks. This section lays out these factors and the following sections describe related managerial decision-making processes.

Support of county governance

Several respondents stated that the support of elected county boards of supervisors and/or their appointed county administrative officer (CAO) played an important role in their successful response to the recession by supporting the implementation of new, experimental solutions. Some informants described their boards as “hands-off” by trusting HSO leaders to make good decisions and supporting those decisions. *“I could count on one hand the number of times the board has given us input on how we allocate money among programs. And so that left us quite a bit of strategic room to work.”*

Other organizations pointed to the priority that human services was given in board of supervisor or CAO budgetary decisions. *“And the other thing that’s unique about us is, even in times of budget cuts where everyone needs to share the pain, that our services are still prioritized in the political structure of services. So when the Board of Supervisors are deliberating on our budget, . . . they do reallocate money (and) we tended to benefit from that.”*

In contrast, some organizations report strained relations with their CAO or board of supervisors, where trust is minimal. *“I’ve learned a lot, you know, to be careful about how much trust you have with your CAO.”* Some respondents also indicated that the board did not prioritize human services in the county budget. *“I think that one of the disappointing things was that we really did not have too much support from the Board of Supervisors. They weren’t negative, but they were not inclined to provide any county General Fund support. So we were really on our own in terms of handling the financial impacts.”* Finally, a board of supervisors was less supportive if they did not fully understand the complexities of federal drawdowns and other peculiarities of social-service financing. *“I mean we’ve been telling the Board and the county administrator for 5 years and they did not believe us . . .”*

Collaborative employee unions

Several study participants also described their union relationships as collaborative and productive. *“We have a pretty good relationship with our labor unions. Our human resource department at the county spends a lot of time on that. So we don’t have quite the struggles that some of our surrounding counties probably have.”* Collaborative labor unions explicitly supported managerial decisions by communicating with their members. *“I have to say, the union stood with me when we did the presentations to the staff on why we have to change.”* They also participated willingly in the budget-reduction planning processes. *“When we came up with a plan, you know, I sat down with the union again—outside of the county process—and I said ‘These are what I’m restoring. You tell me if you want me to do something different and I’ll consider it.’ And they were happy with the strategy that we came up with.”* Some unions were even described as partners in the cutback process. *“But they are emphasizing partnership and they want to be at the table helping with the planning. They don’t want to be perceived as a barrier. So they have in fact joined us at the table, if you will, on some of the planning meetings.”*

Conversely, organizations with more-contentious unions describe tedious processes for implementing change. *“The unions are very impatient here . . . They filed several (grievance) charges and that means things come to a grinding halt.”* HSOs reported working through cutbacks with highly contentious unions by addressing questions about every organizational or process change suggested. *“So you can never assume you’re going to change this little part of this process and it will fly. Everything is meet and confer, everything.”* The implementation of more-efficient processes to better meet the increased need triggered by the Great Recession was hindered by unions supporting minimal productivity standards. *“There is still that mindset of, ‘I can only do this amount of work, because that is what I’ve always done for the last 25 years.’”* Finally, in particularly conflicted HSOs, respondents indicated that labor unions created additional strife between employee groups. *“The other piece is that our strong union started [to complain about] the training supervisors [who were supposedly] out to get people, and that they were not supporting people and so it was almost like they were the scapegoats.”*

Organizational or county size

Respondents from small-county agencies noted that their small size advantaged their cutback-management process because established relationships in the community could be easily activated to promote shared decision making. Smaller HSOs were more agile and could start, stop, or change a program more quickly due to smaller staff sizes and caseloads. On the other hand, small counties or organizations had more-limited infrastructure and could not as easily absorb overhead costs of nonessential services. Consolidated HSOs, with integrated health and human services, were able to use the budgets of larger departments to help cushion the fiscal blow to the departments being hit hard by cutbacks. However,

large-county HSOs were less agile and reported difficulty in managing internal communications regarding change. *"We were a very large agency. And to be honest, one of the things I struggle with—even now—is trying to break down the silos, because everyone has become very focused on their department. So I have a staff of 2200 employees . . . So, you know, trying to manage information was difficult."* These larger HSOs also noted that successful cross-departmental collaboration was difficult and rare.

Integrated versus nonintegrated HSOs

HSOs that administered both public-health services and social services were better able to manage the budget-reduction process. Their wider array of services created more options for reconfiguring services and staffing to maximize the drawdown of federal funding. For example, two integrated HSOs transformed their public-health clinics into Federally Qualified Health Centers (FQHCs), which tripled the reimbursement rates for some of the services routinely provided at these clinics. *"Long story short, this migration saved us a ton of money because the [County] Community Clinic, the FQHC that received the OB-GYN services, could bill for the federal rate—which is about three times the rate that the county was able to bill."* One of these agencies also integrated mental-health services into their health services as a means of compensating for a lack of funding for mental health in their county. Integrated HSOs also had more programs and departments to work with when searching for additional resources. *"This is obviously helpful to be a consolidated agency like ours. It meant that if one division had a windfall increase in an allocation, they would say 'Before we hire new staff, that allocation increase goes on the table and if we can prevent laying off staff in another program, then that's what we do.' And we were able to do that because we have discretionary county dollar in all of our divisions."* Nonintegrated HSOs lacked the financial and infrastructure insulation that administering both health and human services provided.

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 regarding 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.

Formal guidelines were more often used in large-county HSOs when reporting to their supportive board of supervisors, the CAO, and union leadership. These guidelines were also used to communicate decision-making processes to all levels of the organization. One respondent described the motivation for creating the document as preemptive: *"We wanted to have them in place before there was a lot of wrangling going on around the table."*

Decision-making strategies

The organizations participating in this study 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, were used to inform the development of new priorities. In particular, integrated HSOs with high levels of union activity and

Table 1 Guiding principles.

Theme	Number of organizations
Use of mission-related values:	
Preserve quality or capacity of programs	10
Preserve programs	8
Preserve child welfare	7
Mandates	6
Preserve staff	5
Preserve contracts	2
Use of organizational priorities:	
Efficiency	11
Planning ahead	9
Equal distribution of cuts	8
Use of administrative values:	
Staff morale	10
Communication	8
Empowering staff	4
Evaluation	3
Use of a formal document	6

unsupportive boards of supervisors or CAOs placed more emphasis on reducing county-funded-line items in the budget because they were required to address the county-fund portion of their budget more aggressively.

Most of the HSOs used financial models and time studies to create and test various budget-reduction scenarios before making final programmatic or organizational structural changes. Many organizations used their current strategic plan to inform the process of reprioritizing services. 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 HSO leaders paid careful attention to consistent and clear messaging to staff about the budget-reduction process.

Board-supported HSOs more often reported an explicit focus on staff engagement and creating and executing a clear communication strategy. One midsize organization, with a very supportive board of supervisors, invested considerable time and resources into educating employees about social-service budgeting to make sure that they could contribute meaningfully to decision making. *“So we had to inform, educate and then we could begin to really discuss.”* In this organization, when staff suggestions were not used, leadership attempted to *“get word back (as to) why this didn’t work or why it wouldn’t work exactly”* to the staff who contributed ideas. *“Just so people knew that we were listening.”* Such attention to detail took a great deal of agency resources in staff time and energy, but leaders in this agency felt it was an important priority. *“[We were] was just trying to maintain a sense of sensitivity to the fact that—whether someone was laid off or bumped—people were afraid. And they deserved a lot of respect and some care during that difficult time because there are lots of things that you can say, and you must say, and you should say.”*

In many other organizations, while some efforts were made to engage midlevel- and direct-service staff (as well as union leaders) in the decision-making process, management frequently did not display a capacity to communicate effectively with staff. Many respondents reported that their staff provided feedback that communication related to budget reductions was insufficient, and staff members were critical of top-down decisions made without their input or that of community stakeholders. See [Table 2](#) for a summary of decision-making strategies.

Table 2 Decision-making strategies.

Theme	Number of organizations
Create and codify new priorities	10
Use financial models/time studies	9
Use agency data	9
Consider county dollars	8
Engage in strategic planning	8
Primary decisions made by top leadership	8
Gather input from stakeholders:	11
Community input	11
Staff input	10
Labor union input	8

Budget-balancing strategies

New priorities 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) and client-serving programs. Most organizations seized the opportunity to reformulate 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 using call centers to work with clients on the phone rather than in-person.

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 interdivision 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. Smaller, integrated HSOs with low-to-moderate union activity and supportive boards were more likely to increase contracts for outsourcing services, whereas large agencies with high union activity and less supportive boards were more likely to reduce contracts. Finally, several organizations worked actively with community or county partners to identify duplication of services in the community and to coordinate service provision through the use of a single service provider.

The third-most-frequently-mentioned-budget-balancing strategy involved rigorous fiscal stewardship, such as reducing or eliminating unnecessary spending and increasing accountability for staff and community contractors. Nearly every respondent also focused attention on maximizing the drawdown of federal or state funds. More than half of these HSOs, especially those reporting minimal union activity and supportive boards or CAOs, 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 the monthly income of clients. 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 vacancies and staff attrition. Almost half of the participating organizations implemented hiring freezes as a means of controlling staff costs, and several used voluntary or incentivized 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 small and midsize 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. *“I think basically we’ve discovered—we just can’t afford to have deadweight, or, you know, people not pulling their weight, and making important, significant mistakes. And so we don’t tolerate that anymore.”*

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 contributions from current employees to help catch up on backlogged work. See [Table 3](#) for a summary of budget-balancing strategies.

Lessons learned

As budgets began to be restored, respondents reflected on lessons learned to incorporate into their regrowth. As 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.”*

Table 3 Budget balancing strategies.

Theme	Number of organizations
Structural solutions:	
Eliminate programs	11
Reduce infrastructure	10
Reformulate programs	10
Partnership solutions:	
Create new internal partnerships	11
Reduce contracts	8
Expand contracts/outsource	8
Reduce duplicate services	7
Financial solutions:	
Increase fiscal stewardship	10
Maximize drawdowns	8
Increase revenue	8
Utilize ARRA funds	5
Staffing solutions:	
Eliminate vacant positions	10
Shift staff between programs	8
Lay off staff	7
Freeze hiring	5
Use volunteers	3
Increase accountability	2
Workload solutions:	
Prioritize workload	7
Hire temporary staff	6
Expand use of overtime	2

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. HSOs reporting supportive boards engaged in innovative approaches over four times more often than agencies reporting unsupportive boards or those not commenting on levels of board support. 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” through which 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—especially among HSOs with supportive boards; 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, facilitated by a member of the board of supervisors, gained great support from the community and positive response from the participants. *“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.”*

The use of information technologies was also a critical aspect of surviving the impact of the recession. As one executive director observed, *“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. For example, in one organization, the leadership team 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 customer-oriented, computer-based technologies to streamline the intake and application process in benefits-eligibility offices. Clients were 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 HSO 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.

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 HSO 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.

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, *"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 are no [county] general funds in MediCal."* The lack of adequate staff engagement in meaningful or productive discussions around budget reductions also highlighted the need to better educate program-level staff about county social-service financing. Similarly, the lack of understanding of social-service finances contributed to the lack of support from their boards of supervisors.

Almost half of the respondents expressed regret about issues related to fiscal stewardship. This was especially true for agencies that also reported medium- to high-levels of union involvement. 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 staff positions that generated state or federal revenue.

Almost all study participants discussed the importance of anticipatory planning and forecasting, even in the midst of the recession, as a means of better positioning the organization for recovery. As one 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—for example, a voluntary employee-separation-incentive package, which encouraged knowledgeable staff to leave the organization at a time when skilled and experienced staff was needed. Some organizations referred to this experience as "brain drain." 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 organizations 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) that emerged at the end of the recession. 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). Employees were often bumped into positions for which they had no experience or expertise, increasing the need for staff training at a time when HSOs had limited resources for such activities. Bumping processes also led to an increase in staff turnover, when senior staff members were unsuccessful in new roles or newer staff resigned to avoid being bumped.

A few organizations were early adopters, planned ahead, and implemented time-saving technologies before the recession. In other organizations, respondents expressed regret over delaying investment in such technologies before the crisis hit. Another respondent noted, *"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 and 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.

The 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. One agency director recounted, *"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.

Discussion

Reflecting on previous cutback research

The findings from this exploratory study suggest that county HSOs charged with budget cuts face many of the challenges outlined in much of the original research into public-sector retrenchment in the 1980s. Goplerud, Walfish, and Broskowski (1985) note that leaders’ actions may diverge from the values and strategies they espouse. Levine’s insights highlight the challenges, asserted to be unique to public managers (Pandey, 2010), which may account for this disparity. Environmental constraints fundamentally shape public management practice, including complying with legislative and judicial program mandates and responding to political actors (Levine, 1978, 1979; Levine et al., 1982). The strategies identified by the participants as poor choices were influenced by a range of environmental factors, related to their public nature, which 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 and by 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. 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, exacerbated by unsupportive boards of supervisors or CAO offices. HSOs with less structural flexibility and in more-contentious environments appeared to be hampered in efforts to shore up staff morale by political agendas, civil service union regulations, and workloads required by legislative mandates.

Many other themes in this study echo key findings from the 1980s retrenchment research highlighted in Figure 1. Public-sector-human-service organizations still focus heavily on the social-services mission and honoring commitments to public employees. However, modern HSO leaders are able to access additional technological resources unavailable to organizations during the 1970s and 80s. In the Great Recession, these technologies helped create efficiencies, aided in decision making and managing customer and staff communications, but also came with unanticipated complications and required more organizational resources than expected. 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, midlevel staff, and members of boards 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 to work collaboratively with elected officials.

Structural and environmental contexts

The apparent impact of public environmental context on HSO decision making lends further support for Pandey’s (2010) theory, which argues that strategies for reducing budgets are distinctively affected by organizational structures and processes unique to public organizations. The level of support for human services from the county board of supervisors or CAO, the nature of employee union activity, and the size and structure of the HSO may have a significant impact on the extent to which leaders can access strategies that advantageously position the organization for regrowth or

expansion. Supportive boards and CAOs increased the ability of leaders to develop innovative revenue-generating solutions, to create new internal and external partnerships that expanded services with little or no increase in costs, and to engage in collaborative planning with their own staff and other organizations. The hands-off relationships that these boards developed over time with their HSO leadership, which implicitly communicated respect and trust, may provide a model of leadership that HSO managers channel to empower their own staff to find new ways to generate revenue or reduce program costs. Further, empowering boards and collaborative unions may have allowed these HSO leaders to innovate with their staff, plan ahead more carefully, and create new partnerships by minimizing approval processes and reducing barriers to change.

More county funding, often associated with more supportive boards of supervisors, also provided a resource cushion that enabled more-extensive planning processes, including taking the time to create formal guidelines for budget reductions and engage and educate staff on budget matters so they could participate in decision making. One respondent pointed out that the effort to fully engage staff in the cutback process was time consuming and laborious: *“There was a lot of work and a lot of effort that went behind the communication in regards [sic] to what was happening.”* This particular agency, which appears to have put forth the most effort into engaging staff, is also an organization that entered the recession with a healthy reserve fund—which was used to supplement the agency budget in the first years of cutbacks.

It is also interesting that agencies with contentious labor unions more frequently reported feeling that they had not been as fiscally wise as they could have been. Examples include regret over leaving federal money on the table or a sense that leadership was *“borrowing from Peter to pay Paul.”* Organizations with higher levels of union conflict struggled more with implementing new technologies, executing strategies aimed at fiscal stewardship, and outsourcing existing services. A few respondents stated that their highly involved unions tended to slow down change processes by asking to meet and confer over each small adjustment to their roles or processes. This dynamic may have influenced the decisions to avoid further outsourcing of additional services and delay implementation of new technologies, as there may simply not have been time for the intensive process of seeking approval for such organizational changes from union representatives. As a result, these organizations may have had to look elsewhere for second-best solutions.

Agency size and structure also affected the amount of flexibility an organization had with respect to redesigning programs and staffing structures, engaging staff and communicating change processes. Not only did smaller organizations seem to have an easier time managing staff communication and engagement in the budget-reduction process, but it was also easier for them to implement programmatic and staffing changes using “ramp-up” time that was shorter and less complicated. Smaller, integrated HSOs were also more agile and programmatically diverse and could, thus, buffer the effects of cutbacks more easily. Senior staff in all three integrated HSOs also felt well supported by their board of supervisors, indicating that such solutions were also more easily achieved by agencies allowed autonomy by their board of supervisors.

Further research

The cutback-management experiences of these 11 HSOs suggest new variables to incorporate into existing cutback-management-theoretical frameworks, which may expand the applicability of these models and deepen the knowledge derived from them. These contextual factors can also contribute to beginning theories regarding public-organizational-cutback strategies for optimal organizational regrowth. To further discern optimal and predictable organization processes during retrenchment it is important to examine the following research questions: (a) How does the tension between the values of leaders and their ability to actually execute related actions inform decision making and impact long-range strategic approaches to budget reductions? (b) To what extent does organizational size and structure influence the actions and relationships of leaders? (c) How does the quality of the relationship between organizational leaders and their labor unions and board of supervisors or

CAOs influence decision making during fiscal crises? and (d) What can managers do to mitigate the effects of these variables and enhance the weight of organizational values in their decision making and reduction process?

Respondents in all participating organizations reported concerns about technology adoption and communication strategies. Information technology was a key asset for most organizations but also a source of stress and frustration. Future research needs to identify the advantages and limitations of the use of information technologies in HSOs, the role of technology in preparing for and surviving retrenchment, and the specific ways that information technologies can enhance intraorganizational communications. Relevant organizational communication frameworks from other disciplines may shed light on the communication struggles experienced by these declining HSOs. However further research should focus particular attention on the specific external and intraorganizational communication needs characterizing the human services, where staff engage heavily in emotion-based work. Guidelines that address the appropriate content, timing, and media for communications with staff at each level of the organization would be a useful product of research in this area.

Practice implications

At the time of the interviews in the spring of 2013, many organizations were beginning to expand and rebuild. One agency leader remarked, *"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. In his 2010 essay regarding cutback-management scholarship, Barry Bozeman suggests reinvigorating the subject of cutback administration by "focusing not on strategies for mitigating decline but rather on the role of decline in organizational life cycles and its implications for devising resilient, long-term managerial strategies" (p. 561).

Further support for Bozeman's perspective emerged from leaders' reports that their organizations became stronger and more efficient due to the drastic changes made during the Great Recession. One director noted, *"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."* Another respondent stated, *"I feel like the Phoenix rising."* These statements suggests that, perhaps like a wildfire, the recession budget reductions served to burn off debris, providing ideal growing conditions to kick-start regeneration and allowing organizations to emerge in a new form. The stories of these HSOs underscore the accuracy of Bozeman's observations by offering a long view of organizational decline in which reductions are normative, periodic, and serve to streamline and strengthen organizations. For this reason, the experiences and strategies emerging from the Great Recession point to two types 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

In addition to maintaining positive and collaborative relationships with key stakeholders (e.g., elected officials, the board of supervisors, other county departments, labor unions, and partner organizations in the community), it is increasingly important to educate staff at all levels (and the board of supervisors) about the nature of social-service funding mechanisms. At the same time, HSOs would benefit from installing capacity-building technologies and developing a robust volunteer base in their community to help maintain service standards, especially when fiscal resources are less constrained. Finally, the ongoing challenge to create and find innovative approaches to budget and service efficiencies needs to become a normative management practice. As one respondent said,

"I once had someone tell me that there is such a thing as having too much money because . . . 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 impact of the Great Recession on these HSOs points to the benefits of continuing to advance an organization's strategic plan and taking the time to think through potential repercussions when faced with a financial crisis. As one director noted, *"We started that [strategic planning] when the downturn 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."* Maintaining a focus on collaborative strategic planning will help organizations to identify and direct limited resources to organizational priorities and to 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."* Strategic plans built in collaboration with partner organizations and other community stakeholders are a robust way of maintaining engagement with these stakeholders and enhancing opportunities to expand key partnerships in order to preserve the community safety net.

This study also highlights the need for specific tactics related to staffing changes during a fiscal crisis. Seeking to save money by incenting the early retirements of senior staff may, in the long run, cost more money when experience and expertise are replaced by those with fewer capabilities. When impossible to avoid, organizations should take action to mitigate negative repercussions of bumping by matching staff with appropriate open positions. Further, 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, will thrive, not just survive, in the face of environmental adversity.

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