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Nursing Turnover: Costs, Causes, & Solutions

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Summary

Nursing turnover is a major issue impacting the performance of healthcare organizations. Healthcare organizations require a stable, highly trained and fully engaged nursing staff to provide effective levels of patient care. Yet a growing shortage of qualified nurses has led to a steady increase in the turnover rate among nurses.

This paper reviews research studying the consequences and financial costs of nursing turnover, the primary causes of nursing turnover, and methods to increase retention in these pivotal healthcare jobs. The paper focuses on research conducted with registered nursing populations, although many of the findings in this research generalize to other healthcare jobs.

The paper lists the nine primary factors that drive nursing turnover. It then describes four categories of solutions that have been shown to increase nurse retention: increasing the number of nursing candidates in the labor pool, making jobs more attractive to nursing candidates, more effectively assessing nursing candidates during the hiring process, and improving the methods used to manage nurses after they are hired.   These solutions address aspects of the entire nursing employee lifecycle from building applicant pools to effectively managing retirement of longer tenured employees.   The strengths and limitation of each type of solution are discussed.

Nursing Turnover: Costs, Causes, & Solutions

Nursing turnover is a major issue impacting the performance and profitability of healthcare organizations[i]. Healthcare organizations require a stable, highly trained and fully engaged nursing staff to provide effective levels of patient care. Yet a growing shortage of qualified nurses has led to a steady increase in nursing turnover[ii]. This turnover rate is likely to become even worse over as the growth of the healthcare industry continues to outstrip the available supply of nurses.   It is predicted that there will be a shortage of nearly 1 million nurses in the United States by 2020[iii].

This paper reviews research examining the consequences and financial costs of nursing turnover, the primary causes of nursing turnover, and methods to increase retention in these pivotal healthcare jobs. The paper is focused on "voluntary" or "regrettable" turnover that occurs when nurses the organization would like to retain choose to leave their jobs.   Most of the research reviewed in this paper focuses on registered nursing populations, although many of the findings in this research generalize to other healthcare jobs.

As will be discussed in this paper, there are many reasons why nurses choose to quit their jobs. But while the factors that cause nursing turnover can be fairly complex, many solutions for reducing turnover are fairly well understood.   These solutions address aspects of the entire nursing employee lifecycle from building applicant pools to effectively managing retirement of longer tenured employees. The challenge lies in prioritizing and implementing these solutions in a manner that provides the greatest return on investment.

The consequences and costs of nursing turnover

Nurses play a pivotal role in the performance and profitability of healthcare companies[iv]. The financial cost of losing a single nurse has been calculated to equal about twice the nurse's annual salary[v]. The average hospital is estimated to lose about $300,000 per year for each percentage increase in annual nurse turnover[vi]. One 9000 person healthcare organization estimated that nursing turnover was contributing to a loss of over $15 million per year[vii]. Losing critical nursing employees negatively impacts the bottom line of healthcare organizations in a variety of ways including:

> *Decreased quality of patient care.* Staff shortages caused by nursing turnover are associated with significant decreases in the general quality of patient care, increases in the length of patient stays within hospitals, and greater numbers of hospital-acquired patient illnesses and conditions that do not qualify for Medicare/Medicaid reimbursement[viii].

> *Loss of patients.*   Healthcare organizations may have to turn away patients to other healthcare facilities due to a lack of available staff resulting from high levels of nurse turnover. This is a particularly significant concern for healthcare organizations operating in states that mandate minimum nurse to patient staffing ratios[ix].

> *Increased contingent staff costs.* Many healthcare organizations are forced to rely on contract nurses to overcome staff shortages caused by high levels of nurse turnover.   Such contract nurses can cost twice as much to employ as nurses employed directly by the company.

> *Increased nurse turnover.* Nurse turnover creates staffing shortages that increase the work demands placed on the organization's remaining nurses. This heightens the risk of the

remaining nurses quitting due to excess workload[x]. The result is a "vicious cycle" of constantly increasing nurse turnover within an organization.

Increased turnover of medical support staff. High levels of nurse turnover create a disruptive, unstable work environment that negatively impacts the retention of other medical service providers that work with the nurses[xi].

Increased staffing costs. Considerable resources are required to recruit, hire, and train nurses to replace nurses who have left the company. Healthcare organizations that suffer from high levels of nurse turnover can find it much harder to recruit new nursing candidates due to former nursing employees sharing negative stories with their professional colleagues about the company being an undesirable place to work.

Increased accident and absenteeism rates. The staffing shortages caused by nurse turnover can lead to an increase in accident rates and absenteeism levels among the nurses who remain[xii].

The costs associated with nursing turnover are both varied and extensive.   In fact, people have argued that the single greatest way for healthcare organizations to improve their performance is to increase retention levels of nursing staff.

The causes of nursing turnover
Two approaches have been used to diagnose the causes of nursing turnover. The first is to identify why nurses choose to work in different healthcare jobs and then determine if their job needs are being met. In other words, are employers supporting the "employment value proposition" that led nurses to originally accept a job offer?[xiii] The second approach is to identify events that occur after nurses are hired that lead them to quit even if the job met their primary job expectations. This approach focuses on identifying specific actions or conditions that led nurses to conclude that their job no longer matches their personal career goals and/or job needs.

Why do nurses choose to work for an organization? The primary factors that influence nurses' choice of employers are work schedules, career development opportunities, and commuting distance[xiv]. However the relative importance of these factors varies widely across nurses. Nursing, like many other professional hourly jobs, attracts individuals with an extremely wide range of career interest and goals[xv]. Some nurses place a premium on job schedules that do not interfere with their commitments outside of work. Others look for jobs that provide opportunities to develop their professional skills and capabilities.   A two year study examining causes of turnover among 532 experienced registered nurses identified the following unique groups of nurses based on their job interests:

> "Group 1 appeared to be nursing graduates (late 20's) who had one prior nursing position, took some time out of their careers to have a child, then re-entered the profession with an emphasis on pay fairness and schedule flexibility. Group 2 appears to be an older cohort (late 30's)…with more established families who were primarily concerned with scheduling flexibility…Group 3 appears to be late 20's nursing graduates dedicated to the nursing profession, focusing on stimulating work environments that did not involve supervisory responsibilities. [the other groups were] smaller and appeared to focus primarily on income potential."[xvi]

The main lesson from this research is that a nursing job that matches the career goals of one nurse may not meet the goals of a different nurse. For example, providing nurses with opportunities to work on

challenging projects that require working longer shifts might increase retention for one group of nurses while decreasing retention for another. There is no "one size fits all" job design that will increase retention across all types of nurses. Healthcare organizations that wish to maximize nurse retention must develop methods to provide nurses with flexibility to structure their job based on their own particular set of interests. This requires giving nurses a way to exert control over their schedules, access to career development opportunities for nurses who want them, and financial incentives that allow nurses to increase their compensation levels if they so desire.

Why do nurses quit their jobs?   The factors that lead nurses to quit jobs are often considerably different from the factors that led them to accept the jobs in the first place. Table 1 lists issues that have been identified as primary factors in nurses' decision to quit their jobs. The issue at the top of the list, "feeling overworked" is often a result of low staffing levels caused by nursing turnover (the vicious cycle of ever increasing nursing turnover discussed earlier). One study of 601 registered nurses found that 43% of nurses would actually prefer increased staffing levels over increased wages or scheduling[xvii].

Most of the issues in Table 1 are directly related to the behavior of nursing managers. It is often said that "employees don't quit companies, they quit managers". This is clearly the case for nursing. Studies have found that longer tenured nurse managers tend to have lower levels of turnover than less experienced managers[xviii]. This suggests that more experienced nursing managers are more effective at creating work environments that support the unique needs of nurses. These managers are likely to have developed effective techniques for defining nurses' job expectations, managing their workloads, and recognizing and rewarding nurses for their accomplishments. Experienced nursing managers may also have developed unique skills to help nurses cope with the highly stressful and emotionally exhausting aspects of their work[xix].

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Table 1. Factors Driving Nursing Turnover

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• **Feeling overworked; not being able to manage workload**
• **Lack of role clarity and low sense of control over job performance**
• **Not feeling respected and valued for contributions and capabilities**
• **Poor communication with management around critical issues affecting work**
• **Not receiving recognition or rewards for accomplishments**
• **Lack of career opportunities and support for career development**
• **Lack of trust and effective collaboration with coworkers**
• **Work schedule does not match job needs or expectations**
• **Work is too physically demanding**

Solutions for reducing nursing turnover

Nurses join and quit organizations for a variety of reasons. There is no single "silver bullet" solution that will create reductions in nursing turnover across the board. But many solutions have been found to positively impact nursing turnover. These solutions range from deploying specialized technology to support shift scheduling to implementing widespread social and policy changes in the US educational system to increase the number of qualified nursing candidates.

Table 2 lists several of the practices that have been used successfully to reduce the financial impact of nursing turnover. The practices in table 2 are grouped into four categories based on their primary focus: increasing the number of qualified nursing candidates available in the labor force, making jobs more attractive to qualified nursing candidates, screening out nursing candidates based on job fit, and

improving how nurses are managed after they are hired. Each of these categories reflects a different approach toward reducing nursing turnover, and each has its own advantages and disadvantages.

Table 2. Methods for Reducing the Level and Cost of Nursing Turnover

Increasing the number of nursing candidates
- **Educational and community outreach programs to increase awareness of nursing as a possible profession**
- **Sponsoring nursing students through scholarships**
- **Providing educational re-imbursement to help existing employees obtain nursing degrees**
- **Recruiting nurses candidates from foreign countries**
- **Lobbying the government to support creation of more nursing schools**

Making jobs more attractive to nursing candidates
- **Increasing compensation and benefits**
- **Supporting flexible scheduling and job sharing**
- **Building career development activities into the design of nursing jobs**
- **Improving the organizations' employment brand**

Screening out nursing candidates based on "job fit"
- **Using structured assessment tools to evaluate candidate job interests and motivation**
- **Providing candidates with "realistic job previews"**

Improving methods used to manage nurses after they are hired
- **Clearly communicating work expectations and performance against objectives**
- **Soliciting input from nurses on critical work issues**
- **Recognizing and rewarding superior performance**
- **Actively supporting career development**
- **Building teamwork and coworker support**
- **Helping nurses cope with work stress**
- **Optimizing methods used to set work schedules**
- **Addressing underperformance issues that impact others on the nursing team**
- **Minimizing administrative time spent on non-patient care activities**

Increasing the number of qualified nursing candidates. The primary reason nursing turnover is so prevalent and costly is because there is a scarcity of qualified nursing candidates in the labor market[xx]. This scarcity increases the job opportunities available to nurses, which makes them more likely to quit existing jobs because they are confident they can find other employment opportunities. It also increases the costs of turnover as companies find it difficult to fill position after nurses quit.

Many health care organizations actively support activities to increase the number of qualified nursing candidates available in the labor market. These include community outreach programs to encourage student to pursue nursing careers, providing educational scholarships to nursing students that are often contingent on the students working for the organization for some minimum amount of time after they graduate, and providing educational support to non-nursing employees to help them acquire nursing degrees. These efforts may also involve lobbying the government to invest in the creation of new nursing schools or providing more support for recruiting foreign nurses to work in the United States.

The primary advantage of increasing the number of nursing candidates in the labor market is it addresses the fundamental issues that make nursing turnover so costly.   The disadvantage is these efforts require considerable time and resources over and above those required to simply run a healthcare organization. Entire programs and funding structures need to be developed to support community outreach programs, educational scholarships, or government lobbying. Furthermore, while these efforts provide major advantages over the long-term, they have little to no near-term impact on the financial costs of nursing turnover. But these programs are likely to become increasingly critical for the continued growth of both healthcare organizations and the healthcare industry in general.

Making jobs more attractive to nursing candidates. In the current scarce labor market healthcare companies must do everything they can to attract qualified nursing candidates to apply for positions within their organization. The primary questions nursing candidates ask when evaluating a job opportunity can be summarized as:

> Where is it located?
> When will I have to work?
> How much does it pay?
> What will I learn?

Given the hands-on nature of most nursing jobs, there is little companies can do to make jobs more attractive based on changing their location. But companies can successfully attract candidates by changing the pay structure, schedule design, and developmental opportunities associated with nursing positions. The creative use of scheduling and job sharing appears to be particularly relevant for nursing candidates who are looking for part-time jobs to supplement non-work related activities and commitments (e.g., working parents or grandparents). Such candidates represent a growing percentage of the applicant pool as the nursing workforce becomes older and more focused on retirement related activities.

Another method used to attract candidates is to develop and communicate an effective employment brand to potential applicants. This requires investing resources into defining and marketing the unique cultural characteristics and career opportunities that make the organization a particularly attractive place to work for nurses[xxi].   However, the success of employment branding efforts is predicated on the assumption that an organization truly is a great place to work.   Employment branding efforts that promote inaccurate images of a company can actually lead to increased turnover. It is very costly to attract and hire candidates only to have them quit when they discover that the realities of working at the company do not align with what they were told by the recruiting department.

The advantage of programs that make jobs attractive to nursing candidates is their ability to immediately increase the number of applicants applying for open positions. Companies that design jobs with applicant attraction in mind are more likely to structure positions in a way that lessens turnover due to poor scheduling, inadequate pay, or lack of development opportunities. The shortcoming of programs focused on increasing applicant flow is the fact that there are often considerable limitations in the changes that can be made to make jobs more attractive. Companies have hard constraints related to the amount of compensation that can be provided for a job, the shifts that employees need to work, and the time that can be devoted to development activities versus core job tasks.   Similarly, companies are limited in their ability to create an effective employment brand until they first put in the effort required to truly become a great place to work.

Screening out job candidate with poor "job fit". One factor that creates increased nursing turnover is hiring candidates who have unclear or unrealistic expectations about the duties, requirements, and benefits of the job. For example, hiring a candidate for a job that requires working weekends and then discovering the candidate is unwilling to work Sundays.   Realistic job previews give candidates exposure to the requirements, benefits and work duties of a job by providing them with clear descriptions of the job or through exposing them to the actual work environment. These previews have proven to be effective for reducing turnover associated with poor fit related to job characteristics such as schedules, pay rates, and job tasks[xxii].   Statistically validated selection tools that assess candidate work preferences and goals can also be used to reduce turnover caused by poor fit associated with less tangible concepts such as "organizational culture" or "career ambition".[xxiii] Incorporating these methods into the nurse selection process reduces the risk of hiring candidates only to have them quit because their job does not meet their basic job expectations or career goals.

Screening out job candidates based on job fit provides a relatively inexpensive means to reduce avoidable turnover. The problem with this approach is the limited numbers of qualified nursing candidates available for jobs to begin with.   Selection measures are never perfectly accurate. There is always a risk of screening out candidates who would have been successful employees had they been hired. While the loss of such candidates is acceptable when companies have several qualified applicants to choose from, it can be devastating for companies that struggle to hire enough qualified candidates to maintain minimum staffing levels. Another limitation of methods focused on screening out job candidates is they only impact turnover of nurses who have not yet been hired. They have no impact on the turnover rates of nurses who are already employed by the organization.

Improving methods used to manage nurses after they are hired. The single biggest factor impacting employee turnover is the behavior of the employee's manager. Improving managerial performance should be at the forefront of any initiative focused on decreasing nursing turnover. This requires providing managers with the knowledge, tools, and time needed to engage nurses around critical workplace issues that drive turnover.

The following managerial behaviors have been shown to help increase retention of nurses.
- Clearly communicating work expectations, providing information showing nurses' performance relative to their work goals, and giving nurses the opportunity to engage in conversations with leaders on ways to improve performance. These actions all serve to increase nurses' sense of autonomy and control over their work. These managerial practices also reduce stress-related turnover caused by role ambiguity.
- Recognizing and rewarding performance and actively supporting career development. These actions increase nurses' sense of being valued, recognized and supported for contributions they bring to the organization.
- Building teamwork, helping nurses manage work stress, and swiftly addressing individual performance problems. These actions are critical to creating a supportive work environment where nurses feel they can rely on those around them to maintain high levels of patient care, overcome difficult challenges and cope with the emotionally exhausting nature of their jobs.
- Putting effort into optimizing work schedules in an attempt to accommodate nurse preferences. These efforts lessen the chance of nurses quitting due to scheduling issues and increases nurses' feelings of being valued and having control over their jobs.
- Minimizing or eliminating time spent on administrative activities. This action allows nurses to focus on the aspect of their jobs that provides them with the greatest sense of achievement and accomplishment: caring for patients.

Improving the methods used to manage nurses has several positive effects on nursing turnover. First, the methods directly address the single biggest factor that drives employee turnover: the behavior of nurse managers. Second, the methods have an immediate impact on the organization's current nursing workforce. These methods provide an immediate return on investment when they are implemented. This value is then maintained as long as the methods are continued. Third, the methods do not require creating entirely new programs or processes. Healthcare organizations are already managing nurses, but in many cases they are not <u>effectively</u> managing nurses. These methods are not about doing new things that the company has never done before, but doing things the company is already doing in a more valuable manner.

The main challenge to improving how nurses are managed is getting managers to actually change their behavior. Changing behavior is hard[xxiv]. But it can be done. The key is to provide managers with clear guidance on what behaviors to change, methods to help them implement these changes, and incentives to reward their efforts to change. Talent management technology can play a major role in creating these changes by providing managers with tools to more effectively manage nurses. This technology can also be used to measure and reward managers who demonstrate behaviors that help decrease nursing turnover. Talent management technology also automates many of the administrative tasks that prevent managers and nurses from spending time collaborating with one another to provide patients with high levels of care.

It should be noted that the behavior of managers is both supported and constrained by the policies and resources provided by the organization. For example, a manager's ability to provide nurses with meaningful recognition will depend on the leeway they have to pay or otherwise compensate nurses for superior performance.   Similarly, managers' ability to provide nurses with meaningful development opportunities depends in part on the support the organization provides for employee career development in general. In sum, while nurse managers may be responsible for developing an environment that encourages retention of nurses, healthcare organizations are responsible for providing managers with the tools and resources they need to create this environment.

<u>Conclusions</u>
Nursing turnover and the broader nursing shortage that underlies it represent one of top financial crises facing healthcare organizations in the United States.   Nurses play a pivotal role in the financial viability of most healthcare organizations, yet these organizations are increasingly challenged in their ability to attract and retain enough qualified nurses required to meet minimum staffing levels.

Considerable research has been done to study nursing turnover. This research has identified several common factors that influence nurses' decisions to pursue certain jobs and remain in those jobs after they are hired. Healthcare organizations are strongly advised to leverage the results of this research and invest in talent management practices that will have the greatest value for ensuring a steady workforce of qualified and engaged nurses. Many of the solutions to the nursing shortage are well known and available to organizations. In particular, the ability to change the behavior of nursing managers so they create a work environment that supports nurse retention. But it is up to organizational leaders to embrace these methods to ensure the success of their companies and the care of their patients.

<u>About the Author</u>

Dr. Steven Hunt is Director of Business Transformation Services at SuccessFactors. He has over 15 years experience designing talent management solutions supporting performance management, staffing, employee development, culture change, workforce transformation, and succession planning. An active author and speaker, Dr. Hunt has written articles for dozens of trade and academic journals ranging from the Wall Street Journal to the International Journal of Selection & Assessment. He is also author of a book on the applied use of staffing assessment methods entitled "Hiring Success" (2007, Pfeiffer). Dr. Hunt holds a Ph.D. in industrial-organizational psychology from The Ohio State University, a B.A. in applied mathematics and psychology from the University of California, San Diego, and professional certification as a Strategic Professional of Human Resources (SPHR) from the Society of Human Resource Management. He is a member of the Society of Industrial and Organizational Psychology, the Academy of Management, the Society of Human Resource Management Special Expertise Panel on Human Capital Metrics, and the Workforce Institute.

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