



WHITE PAPER

Despite Great Recession Turnover Still Vexes Healthcare

Systematic Approach Needed to Retain Nurses & Others

“... your chances of having a healthcare worker voluntarily quit on you in 2008 were a full 92% as strong as they were in 2007, when the economy was booming. And it’s likely that those employees who quit were the good ones that you most wanted to keep.”

By Richard P. Finnegan, President
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Throughout this decade, workforce experts have predicted that the number of jobs would soon far exceed the number of qualified workers. When this day came, organizations would scramble to find and keep good employees, and only the best of these companies would succeed.

But those experts, like all other experts, failed to crystal-ball the economic mess the U.S. and consequently the world would tumble into, and now many are assuming that concerns over worker retention are over ... that employees are chanting “I’m lucky to have a job.”

But the data tell a different story, and healthcare is the extreme example of how The Great Recession is barely impacting how many good workers quit. Specifically, your chances of having a healthcare worker voluntarily quit on you in 2008 were a full 92% as strong as they were in 2007, when the economy was booming.¹ And it’s likely that those employees who quit were the good ones that you most wanted to keep.

This understanding that “the good ones can still find jobs” is underscored by our company’s recently acquired retention clients in healthcare, as well as in engineering, energy and manufacturing. These organizations fully embrace that good employees who leave take with them not just training and know-how, but they also disrupt sales, service, quality, and safety which ultimately lowers profits. And in today’s economy all organizations are digging deeply to find more profits ... now more than ever, it’s critical that you not let your best employees walk out the door.

HEALTHCARE STANDS ALONE

The U.S. lost 2.6 million jobs last year, yet healthcare saw a net gain of over 400,000². The most acute problem is nursing, where the U.S. Bureau of Labor Statistics (BLS) projects we will need 233,000



additional RNs each year through 2016³, and this shortfall could reach half a million by 2025⁴. Yet only about 200,000 candidates passed the Registered Nurse licensing exam last year⁵. The reasons for this shortfall are legendary ... too few instructors, disinterest among young people, poor schedules, low pay, and high stress among them.

The BLS tracks the number of open jobs, new hires, and voluntary quits (those who leave jobs by their own decisions, rather than being laid off or fired) within industry groups. The BLS groups Health Services and Education (HSE) together, and the data make clear that executives in these industries face a far tougher climb for retention than all other industries, regardless of our economic fix.

A review of this data tells us that although the numbers of open jobs, hires, and voluntary quits declined for both groups in 2008 versus 2007, the declines in Health Services and Education were much smaller. Specific comparisons include:

- **Open jobs** ... The open jobs decline in other industries is three times greater than the decline in HSE
- **Hires** ... The HSE hires level stayed virtually flat year-to-year, compared to a drop of 12% for other industries
- **Quits** ... Whereas voluntary quits dropped nearly 8% in HSE, they declined more in other industries

With the HSE quits rate dropping about 8%, it is fair to say that the chance of an HSE employee quitting their job in the recession times of 2008 were 92% as strong as during the good times of 2007.

We also wanted to test whether the deepening recession in the latter stages of 2008 influenced fewer HSE workers to quit. We compared the quits rate from December 2007 to December 2008 and the drop was 8.1 %. So the likelihood of your healthcare workers quitting last December were again about 92 % as strong as they were a year earlier.

One other analysis gives insight into the real reasons healthcare workers quit. For every HSE worker who voluntarily quit her job in 2008, there were 2.6 open jobs available she could pursue ... unless of course she had already secured one. This number is unchanged from 2007, regardless of the recession. For each quitter in other industries there were just 1.2 open jobs, giving them far fewer choices and more reasons to stay. We conclude from this data that the primary reason healthcare employees quit is because they can.

It should come as no surprise then that unemployment at the end of 2008 for HSE was 3.8% vs. 7.2% for the total workforce. For hospitals, year-end unemployment was an astounding 1.6%.⁶ And President



Obama's proposed stimulus package will add 240,000 new jobs in Education and Health Services, with 46% of them planned for later this year.⁷

DO JUST THE GOOD ONES LEAVE?

While we don't have specific data regarding who quits or their reasons why, there is a logical argument that voluntary quitters are better performers. Unemployment *did* increase in HSE from 2007 to 2008, even though it remains the lowest of any non-government industry group. And because more workers are unemployed, companies that advertise openings attract larger applicant pools and can be more selective. Those applicants who win these openings must have the skills and accomplishments that enable them to find new jobs, and these are the employees you can least afford to lose.

It seems less likely that those who quit are leaving without another job, even if they are being pushed out for performance. Most employees know that unemployment benefits are available only if their employer decides they must leave versus they leave on their own.

And while the BLS binds together data for Health Services and Education, there are continuing rumblings of education job cuts and future funding losses. No such noise is heard by those working in healthcare. For the most part those employees are watching the recession go by and still buying big-screen TVs.

WHAT'S A COMPANY TO DO?

Fear not, help is on the way. The good news is you only have to solve retention *for your organization* rather than the global healthcare industry.

In good times and bad, employees measure their employers' hearts. They want to know if their company cares, whether they can trust what they are told, and if the supervisor who they work with every day is operating at least to some degree in their best interests. The hard questions they ask themselves are "Does my company really want to retain me?" and "What steps are they willing to take to do so?"

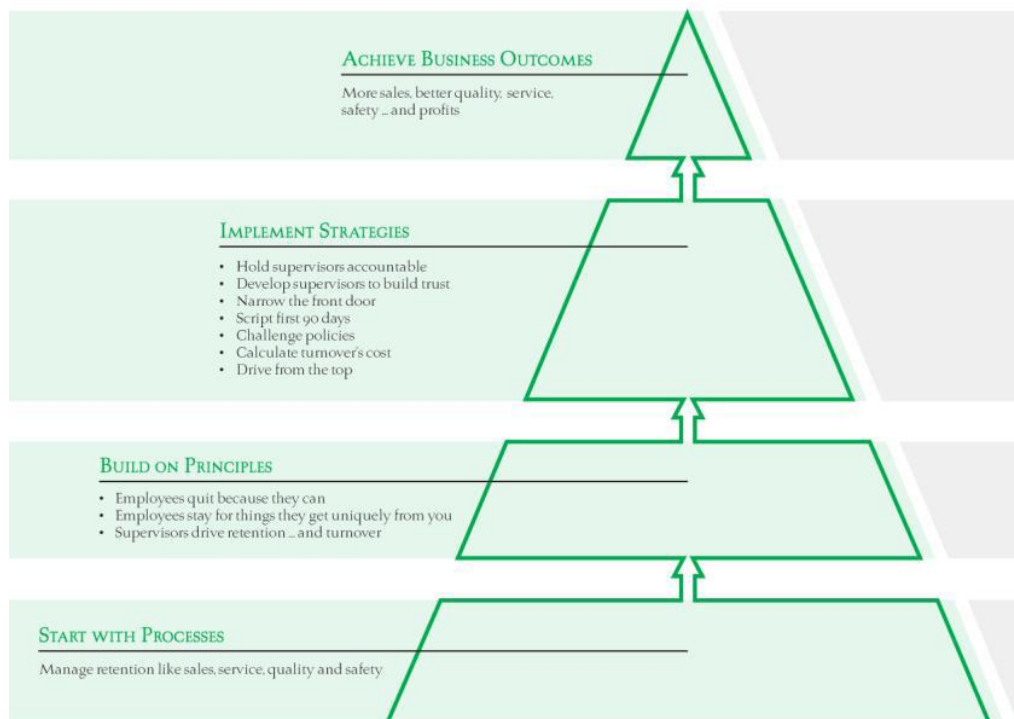
Companies have typically used programs to convince employees to stay. CEO breakfasts, employee appreciation week, and dress-down Fridays have been seen as low-cost solutions to convince employees that companies care. Some companies have extended themselves further with increased pay and benefits. But no clear-cut research has been available to tell companies precisely what to do to keep good workers. Whereas there are proven processes for doctors, nurses, and therapists to follow in their work, there has been no research-based, comprehensive solution for employee retention.

The Rethinking Retentionsm model on the following page provides solutions for taking the right steps to retain your best workers.



THE RETHINKING RETENTION MODEL™

A Process-Driven Approach to Keep Your Best People



Our Model begins with three Principles which are then supported by seven Strategies.

BASIC PRINCIPLES

Principle #1. The #1 reason employees quit jobs is because they can.

Principle #2. The #1 reason employees stay is for things they get uniquely from you.

Principle #3. Supervisors build unique relationships that drive retention ... or turnover.

Healthcare employees have far too many choices for us to retain them with old-school thinking. According to the BLS, about half of all new jobs created by 2016 will be in healthcare, and RNs will add the highest number.⁸ But while nurses get most of the press, home care aides added 64,000 jobs in 2008.⁹

Most companies implement misguided solutions based on exit surveys that contain unreliable data. Employees leave for many reasons, some of which are beyond our control, so the better and more proactive approach is to build strong companies based on why employees stay.



Think about who are you as an employer. What do you offer that other healthcare companies do not? Employees want to know not only what they will *get*, but also *what they will learn* and *who they will help* ... especially in the helping professions. By conducting “stay interviews” with current employees, you will learn what you really offer and why they stay. Then design an Employee Value Proposition that says it clearly and build your hiring, training, and other people-management processes on the things that are uniquely you. Check the Children’s Hospital of Atlanta video on their job opportunities site for a good example at <http://www.choa.org/default.aspx?id=14>.

Supervisory relationships are unique levers that deeply impact employees’ stay/leave decisions. In hospitals, managers, supervisors, physicians, and various specialists all act with authority at one time or another with employees, adding more complexity to an already-sensitive issue. Poor supervision usually trumps good employee programs and drives good workers to leave. When have you ever heard a good employee say, “My boss treats me like dirt, but I’m holding on for employee appreciation week”?

EFFECTIVE STRATEGIES

Hold supervisors accountable for achieving retention goals/Develop supervisors to build trust with their teams

The surest way to move retention from programs to processes, and from HR to line management, is to hold supervisors accountable for it. In their classic study on healthcare retention, The Advisory Board describes programs such as performance pay, better communications, and onsite childcare as “Nice, but not about turnover.” Their solution is to hold managers accountable for retention goals, and they report that one hospital cut nurse turnover 41% by doing so.¹⁰

Supervisor accountability changes the conversation when a good performer leaves, from “I’m sorry you lost Shirley” to “How could you lose Shirley?” Retention is now being *managed*, and the conversation moves from co-dependency to accountability.

Supervisor trust is the magic potion for retention. Like the power of supervisors, solid research backs up that employees make decisions to stay or leave ... and to work hard or coast...based on how much they trust the boss.

Narrow the front door to close the back door/Script employees’ first 90 days

We all know not to hire job-hoppers, but research gives us deeper insights into who stays longer. Proven techniques include hiring employee referrals, ensuring applicants experience a realistic job preview, and hiring applicants who are *older*. A BLS study makes clear that the older employees are when they start a job, the longer they stay.¹¹



Much turnover begins on the day of hire so lean on HR to attract more qualified applicants. Those who hire 1 out of 3 who apply will find themselves in turnover quicksand, especially with more unqualified applicants from other industries seeking work.

Old-style orientation programs talked about company history and mission. Today's now-called Onboarding programs should connect new hires back to your Employee Value Proposition. Employees are listening for you to close the deal on fulfilling what you offered. *What will I learn here? Who will I help? Will I really get top-notch supervision?*

Employees make hard decisions on how long to stay in their first months on the job, and the main reasons they decide to leave are about relationships with supervisors and peers. So Onboarding activities must be planned and extended throughout employees' first 90 days and include processes for building relationships with key personnel.

Challenge policies to ensure they drive retention

Blow the dust off last decade's thinking and drive your rules toward retention. Design 4 x 10 schedules for all employees and make schedule-swapping easy. Rethink employee benefits: If nurses are the hardest employees to hire and retain, why not give them better benefits than the rest?

Depart from traditional benefits and offer those that make employees' lives better. We know a healthcare company that offers a concierge service to enable all employees to reduce stress both on and off the job. The most common request is to buy backpacks in August. Another healthcare company pays back student loans directly to the bank.

And for some jobs, pay more. What does it matter if your pay for nurses is competitive with other organizations if none of you can keep them?

Calculate turnover's cost to galvanize retention as a business issue/Drive retention from the top, as executives have the greatest impact on achieving retention goals

Deciding how much you can afford on pay, benefits, and other cost items depends on how many dollars you lose to turnover. And how much differently would you manage your company if you had to report the real cost of turnover to your Board or the SEC?

Many examples of turnover's cost are hidden, like coins in the couch. I once addressed a group of hospital executives and was prepared to discuss the cost of nurse turnover. Instead, they directed the discussion to housekeepers, arguing that open positions lead to rooms remaining dirty so patients have to stay in intensive care longer ... and insurance companies won't reimburse the cost.



Ask Finance to conduct a comprehensive cost study and report the dollars lost or saved to turnover each month. Then policy decisions can be made with real cost information.

CEOs should drive retention in the same way they drive quality, service, and safety. And all executives should solidify their commitment to retention by adding it to their bonus plans with their Boards.

SO WHAT'S THE BOTTOM LINE?

The bottom line? The need for retaining healthcare workers will continue to be greater than ever before. The numbers presented here prove that healthcare retention will be a mega-priority for executives throughout our lifetimes. We wish improving retention was like pulling a rope, but instead it requires pulling many strings. Once you've stacked hands on our Principles, think *processes* ... and then build a strong retention company by implementing the Strategies and Tactics we recommend. Your reward will be better quality, service, safety, and better employees. And you'll have more fun in your job.

Parts of this article have been adapted from Mr. Finnegan's book, "Rethinking Retention in Good Times and Bad", to be published later this year by Davies-Black. Mr. Finnegan may be reached at DFinnegan@TheRetentionFirm.com, P 407.694.3390.

The website is <http://www.TheRetentionInstitute.com>

¹U.S. Bureau of Labor Statistics, based on "quits" data in JOLTS database

²"Health care jobs brighten bleak labor-market picture" by Kristen Gerencher, MarketWatch, 1.20.09

³"Nursing industry desperate to find new hires," Associated Press, 1.5.09

⁴"Critical mission for hospitals: Retain nurses amid shortage," Associated Press, 2.16.09

⁵"Nursing industry desperate to find new hires," Associated Press, 1.5.09

⁶U.S. Bureau of Labor Statistics

⁷"Political Punch," abcnews.com, 1.10.09

⁸U.S. Bureau of Labor Statistics, employment projections 2006-2016

⁹"Health care jobs brighten bleak labor-market picture" by Kristen Gerencher, MarketWatch, 1.20.09

¹⁰"Hardwiring Right Retention," The Advisory Board, 2001

¹¹"Number of Jobs Held, Labor Market Activity, and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey," by the Bureau of Labor Statistics, August 25, 2006