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The High (and Hidden) Costs of Staff Turnover in Healthcare

april 25, 2013 by [tim cleaver](#) 2 comments

Everyone has heard the adage “everyone is replaceable”, and most managers take comfort there is staff turnover, but it comes at a cost (and probably higher than you believe) and you understand what it is exactly before you take it for granted.

Turnover is a part of operating any organization most would agree, it's the cost of doing business, especially in healthcare... but do you understand what that cost really is?

Do you pause and think through the consequences of letting an employee go? Do you understand or care what it means when an employee chooses to leave? If you answered NO to either or both of these questions, at minimum you should understand the impact to your organization when either scenario occurs.



Average Turnover Rates

Employees and employers part company for many reasons and in healthcare the percentage compared to other industries. However, in a January 2012 Survey, The Bureau of Labor Statistics that Education and Healthcare employers let nearly 10% of their staff go in 2011 and nearly to leave their employer in 2011¹. In a 2012 study, US Government data reported that **healthcare turnover at 28% percent**². This may be the data reported by the government, but I have worked in healthcare organizations that have turnover in the 30, 40 even 50% range and they just keep

employees through their doors. Various studies have found that nursing aide turnover is the highest, at 75%.

Healthcare leaders are focused on reimbursement, recidivism rates, quality indicators, and patient safety. Staff satisfaction may be factored in there if it impacts leaders' bonuses, but turnover is usually an issue that HR must handle.

Real Costs of Turnover

I imagine you all know the replacement costs of an employee (search, recruiting, training), but what is the complete cost of replacing someone you let go or chooses to leave? Of course, as you would expect, the cost of replacement is directly proportional to the pay grade of the position. An article by the Johnson Foundation³ reported that RN replacement at 13 different hospital groups cost between \$10,000 and \$64,000 with **the average being \$36,567**. For other healthcare job types, the replacement cost can be as much as 20% of annual pay (this doesn't include MDs).

Do I have your attention now?

Your cost of replacing an employee may differ from the findings of the cited article above due to different factors, but the primary buckets of replacement cost are shared by all.

The direct costs of replacing an employee:

Termination – Exit interview(s), severance, higher unemployment taxes, vacation pay

Replacement – Advertising, agency/screening, testing, interviewing, verification of licensure/certifications and in some cases travel and relocation

Training – Orientation, re-certification, skill assessment

Vacancy Cost – OT, temporary staffing/Registry

All of these “direct” costs are well understood and easily determined. But there are the “hidden” costs of losing an employee as well. Not many studies on this subject include these “hidden” or “indirect” costs because they are more difficult to put a number on.

The indirect or “hidden” costs of replacing an employee:

Reduced Quality of Care – Replacing one of your employees with a new/temporary/

Reduced Morale – Remaining staff are impacted when a fellow employee leaves

Lost Productivity – From the exiting employee and from the temporary “fill ins”

Increased Workload – As the remaining staff works more hours trying to cover for the by the exiting employee

Cost of New Employee – As they come up to speed, they are less productive, but cost amount of money

Historical Knowledge – Those that have been around for a long time have a native un operations in your facility that isn't not easily replaced

So our staff work a few more hours a week and maybe take care of an additional patient for patient ratio states). In a 2007 article⁴, The National Foundation for American Policy cited r studies that point to decreasing quality of care and increased negative clinical outcomes as load was increased. In addition, studies have shown overtime leads to increased fatigue an impacts patient outcomes.

These “hidden” costs have potentially bigger impacts on an organization than the direct co lost employee.

“But, I can't always pay them what they think they are worth and I will be forced to fire son while others will choose to leave no matter what I do”, you think. This is true. A 0% turnover unrealistic, so let's discuss some non-wage increasing actions you can take to decrease tur cost of replacing an employee.

How to Decrease Turnover

Implement a tracking mechanism – Know exactly where your turnover rates AND co are department-by-department and by job type. If you are flying blind, you can't fix ar **new, cutting-edge scheduling and staffing systems** that can pinpoint trouble spots by rates and even estimated replacement costs (in dashboards or reports) so you can imp action quickly and efficiently.

Empower your employees – Without losing control. A large part of staff satisfaction is and autonomy. The Internet is enabling a more collaborative and transparent world, s There are scheduling systems where staff can have more autonomy of their work sche managers maintain complete control over who works when.

Listen and show that you hear them – Many organizations fall into the trap of asking (Satisfaction Survey) and then ignoring what they hear/learn. Asking and ignoring is a unhappy employees. Your employees don't know they are heard unless you tell and show their feedback is changing the organization.

Don't just hire a body, hire a good fit – cultural and ethical fit of a potential employee is important. Spend time interviewing and ensuring your organization is a good fit for them. I know many regions are strapped when it comes to finding clinical staff to decrease variance. They tend to on-board anyone that has the credentials, but if that person isn't a good fit they can to negatively impact others or will leave.

My Real World Experience

I will never forget my first career job out of Grad school. After studying this company for a final semester in school, I knew it was the place to be. This assessment came from the Harvard Business Review, local business tracking and a single presentation from their MarCom person. I had researched the culture, pay, opportunity etc. One Monday with resume in hand, I walked in the front door to meet with an HR person. They welcomed me as if they knew I was coming and after an hour with the HR manager, I was being considered for an entry level, field position.

After going through the normal 2 week interview process with different leaders and eventually I was told my final stop would be the CEO because "the CEO interviews everyone." The day was nervous; what would the CEO want to know about me that the others didn't already ask/know? He greeted me in slacks, golf shirt and loafers with no socks. He immediately asked what I enjoyed about my work, about happy times in my life, do I ski etc, etc. I immediately came to realize that he looked at my qualifications to the others and he wanted to know if I would fit into the culture of the company.

This company didn't pay the highest salaries around, but they were fair. This company worked hard on employees long and hard, but they realized this and required everyone to take a week off each year (in addition to the standard 2 weeks a year). This company had many layers of management, but at the lowest level I was empowered to "do the right thing" for the client without any need for approval. I worked at a hospital working on Thanksgiving and the day after Christmas my first year, but happy to be there. The CEO had called me personally to recognize my efforts. When the company went public it wasn't left only to the leadership team. They wanted each one of us to own a part of the company and share the joy of our hard work.

Through this culture and leadership, this company built a professional family that nobody wanted to leave. We were often recruited by the competitors offering more pay and a few chose to leave, but we couldn't imagine leaving "the nest." We stuck around for the environment and culture not for the money.

Understand the true cost of losing an employee, implement a system to help you identify your root causes, focus on non-monetary solutions to staff churn, and build a culture where your employees are engaged and held accountable.

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May 2, 2013 at 10:20 am

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