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# A Mini-Study of Employee Turnover in US Hospitals

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Abstract

A mini-study was conducted to collect self-reported employee turnover rates in U.S. hospitals.  The results indicate many hospitals are struggling with high employee turnover rates. Wide-spread variances in ratings were observed across hospitals which may be due to lack of consistency in how they each calculate their employee turnover.  This makes benchmarking for the purposes of performance improvement challenging.

Key Words:

Employee Turnover,

Employee Retention,

Performance Improvement

<u>Introduction</u>

Employee turnover costs the American industry billions of dollars annually. Costs associated with employee turnover include those that are direct and indirect. Examples of direct costs may include the expenses associated with recruiting replacements and/or even amplified unemployment taxes. Indirect costs may include a decline in productivity of the remaining employees and/or learning curve errors that often times accompany the hiring of new employees. There may also be intangible costs such as patient dissatisfaction and diminished departmental morale due to any number of issues such as improper hires, excessive delays, overtime, or disgruntlement felt by other employees who are left to assume the duties of those vacating their positions [1].

A recent study indicates some United States (US) hospital face significant employee turnover challenges. In order to effectively deal with employee turnover, healthcare managers should carefully track their employee turnover rates so they can effectively manage their current and future staffing needs. Employee attrition varies from industry to industry, but in healthcare it can also vary from department to department and/or setting to setting due to the distinctly different characteristics within each specialization or type of healthcare facility. [2] Therefore, healthcare managers need to research the standards associated with their specific department, specialty, or setting so they can benchmark their employee turnover rates against those in similar departments or settings. Once that information is properly determined, they can review the reasons employees leave and develop a plan to decrease their employee turnover rate if necessary. [1]

Employee Turnover in US Hospitals

A study was conducted in 2007 and repeated in 2012 which analyzed the trends associated with employee turnover in US hospitals. Recipients were selected from a nationwide database of human resource managers in hospital settings. Survey participants were asked to report their current employee turnover rate.

Table #1 – Employee Turnover Rate in US Hospitals in 2007

| 10% or less | | 11%-23% | | 25%-78% | |
|---|---|---|---|---|---|
| Turnover Rate | Percentage of Hospitals Reporting | Turnover Rate | Percentage of Hospitals Reporting | Turnover Rate | Percentage of Hospitals Reporting |
| 1% | 4.5 | 11% | 4.5 | 25% | 0.9 |
| 2% | 3.6 | 12% | 7.3 | 26% | 0.9 |
| 3% | 3.6 | 13% | 6.4 | 29% | 0.9 |
| 4% | 2.7 | 14% | 4.5 | 30% | 0.9 |
| 5% | 2.7 | 15% | 9.1 | 31% | 0.9 |
| 6% | 1.8 | 16% | 6.4 | 32% | 0.9 |
| 7% | 4.5 | 17% | 0.9 | 43% | 0.9 |
| 8% | 3.6 | 18% | 1.8 | 65% | 0.9 |
| 9% | 4.5 | 20% | 4.5 | 78% | 0.9 |
| 10% | 11.8 | 23% | 0.9 | | |
| **n=110** | **44%** | | **47%** | | **9%** |

As can be observed in Table #1, key findings revealed that 44% of hospitals reported an employee turnover rate of 10% or less, 47% of hospitals reported a turnover rate of 11%-23%, and 9% reported a turnover rate of 25%-78%.

The same survey was repeated again in 2012 determine if there were any changes to previously reported employee turnover rate in US hospitals. Table #2 shows the results.

Table #2 – Employee Turnover Rate in US Hospitals in 2012

| 10% or less | | 11%-23% | | 25%-78% | |
|---|---|---|---|---|---|
| Turnover Rate | Percentage of Hospitals Reporting | Turnover Rate | Percentage of Hospitals Reporting | Turnover Rate | Percentage of Hospitals Reporting |
| 1% | 1.3 | 11% | 5.3 | 24% | 1.3 |
| 2% | 2.6 | 12% | 15.8 | 25% | 3.9 |
| 3% | 3.9 | 13% | 3.9 | 32% | 1.3 |
| 4% | 3.9 | 14% | 3.9 | 38% | 1.3 |
| 5% | 5.3 | 15% | 3.9 | 40% | 1.3 |
| 6% | 6.6 | 16% | 2.6 | 42% | 1.3 |
| 7% | 5.3 | 17% | 1.3 | | |
| 8% | 2.6 | 19% | 3.9 | | |
| 9% | 1.3 | 20% | 3.9 | | |
| 10% | 10.5 | 21% | 1.3 | | |
| **n= 76** | **43%** | | **46.00%** | | **11.00%** |

As can be observed in Table #2, key findings revealed that 43% of hospitals reported an employee turnover rate of 10% or less, 46% of hospitals reported a turnover rate of 11%-23%, and 11% reported a turnover rate of 25%-78%.

Although a small number, 2007 data revealed hospitals reporting as high as 65% and 78% employee turnover rate. The reported turnover rate in 2012 never exceeded 42%. However, the percentage of hospitals with employee turnover rates in the 25%-78% range increased from 9% in 2007 to 11% in 2012.

When comparing this data to the typical annual employee turnover rate for hospital workers, which is approximately 20%, the data observed in Table #1 and Table #2 may be initially encouraging.[3] In 2012, 87.70% of hospitals reported their employee turnover rate was equal to or lower than the national average of 20%. This suggests a large portion of hospitals are effectively managing their employee turnover issues. However, in 2007, hospitals reported

90.10% of them were above the national average of 20%. There was a decrease in the number of hospitals falling at or below the national employee turnover average between 2007 (90.10%) and 2012 (87.70%). The statistics are still overall encouraging given the significant number of hospitals reporting better than national averages, but clearly, some hospitals are still struggling with their employee turnover. [3]

Costs of Employee Turnover

Studies indicate that employee turnover and the loss of the skilled workforce remains one of the highest-ranked organizational risks. The impact of losing skilled healthcare professionals is maximized by workforce shortages in multiple allied health professions and employee turnover can have a significant impact on the sustainable strategic goals of healthcare organizations.[4]

Research indicates there is a strong correlation with high employee turnover and job satisfaction and the ability to provide high quality patient care given the attitudes and perceptions healthcare workers hold about their organization. [5] The possible adverse impact of employee turnover on patient care has been an assumption explored by many researchers. There is deductive research that supports this assumption, but the linkages between patient care and employee turnover are largely inconclusive. [2]

However, there are other less debated linkages between high employee turnover and increased medical errors, dismal patient satisfaction ratings, and high patient/employee injuries. Research also supports a correlation between employee turnover and decreased employee morale, diminished employee engagement, and reduced efforts toward corporate citizenship.

These intangible or indirect organizational costs are difficult to track and calculate, but they are plentiful. [5,6]

Direct or tangible costs of high employee turnover can be linked to an increase use of sick days by disengaged employees. Furthermore, the costs associated with finding replacements is estimated to range from 32% to 114% of the annual salary paid to the individual leaving. These costs can be financially crippling in organizations where turnover is high. [7]

Research also suggests employee turnover may be influenced by other organizational decisions. For example, difficult economic times may cause some healthcare organizations to consider reductions of their workforce in the form of involuntary departures such as lay-offs. In doing so, they may inadvertently cause a cascading increase in voluntary departures of valuable employees as they seek job security elsewhere. Studies indicate that organizations that intend to lay-off 10% of their employees in a particular year should expect a 50% increase of voluntary employee departures the following year. In areas where recruitment of skilled healthcare professionals is already challenging, this can be particularly problematic.

However, as much as it would seem, having a low employee turnover may not always be the best organizational strategy. If those leaving are scarce in terms of availability or more valuable than their replacements, then the costs of employee turnover may be significant. An attempt to reduce employee turnover should be a top priority in this situation. Conversely, if there are ample pools of professionals as skilled as those who are leaving or their value to the organization is less notable than their replacements, then high turnover may not signal a substantial problem worthy of being addressed. [4]

<u>Calculating Employee Turnover</u>

Some organizations may track the present rate of employee turnover monthly, but often times it is helpful to see a larger overall picture by calculating it annually.  If a monthly calculation is observed then healthcare managers should be careful not to jump to conclusions based on the analysis of one single month.  The ideal situation is to monitor the turnover rate and watch for trends over a period of time.

Although there are many ways to calculate the present rate of employee turnover, the following is a common method to determine an organization's annual turnover rate. [1]

Step #1 - Determine Organizational Separations - Separation from the organization merely refers to how many employees left their positions in a given timeframe.  Typically, this is calculated monthly.   The number of separations is determined by how many left the organization for any and all reasons such as retirement, resignation, dismissal, lay-off, disability, leave of absence, death, etc.  Regardless of the reason the individual left they are included in the total number of separations.

Organizational policy may vary from facility to facility on what is considered a separation for the purposes of determining employee turnover rates.  For example, some organizations do not count lay-offs as a separation while others do.  The key is to calculate separations consistently month to month using the same definition of separation each time.  If the organization does not count lay-offs as a separation then healthcare managers should make sure the calculation consistently disregards this category of separations.  In summary, the first step in calculating the employee turnover rate is to determine the number of separations for each month.

Step #2 - Determine the total number in the workforce for each month. This simply means how

many employees the organization had on the payroll for that given month.

Step #3 - Calculate an average of Step #2 above by adding together the data for each month

reported. If calculating an annual turnover rate there should be 12 months of data to add

together. Take the sum of all months and divide by the number of months (12). This will

give the average number of employees in the organization.

Step #4 - Take the total number of separations for the year and divide it by the average number

of employees in the workforce. The resulting percentage is the employee turnover rate.

Table #3 below demonstrates the calculation process. [1]

Table #3 – Calculating Employee Turnover Rate

| Month | Separations | Total Number of Employees |
|---|---|---|
|  |  |  |
| Jan | 15 | 250 |
| Feb | 5 | 245 |
| Mar | 5 | 240 |
| Apr | 2 | 238 |
| May | 3 | 235 |
| Jun | 10 | 225 |
| Jul | 5 | 220 |
| Aug | 0 | 220 |
| Sep | 4 | 216 |
| Oct | 1 | 215 |
| Nov | 15 | 200 |
| Dec | 0 | 200 |
| **Total** | **65** | **2704** |
|  |  |  |
| Average number of employees (total number of employees for the year / number of months) | 2704/12 = **225** |  |
|  |  |  |
| Turnover Rate (separations / average number of employees) | 65/225 = **29%** |  |

Once a turnover rate has been determined it is essential to compare it with other facilities outside the respective organization and with other departments within the respective organization. Lower turnover rates than others may mean information should be shared with others to help them reduce their turnover; higher turnover rates than others may provide an indicator that an organization needs to closely examine the reasons employees are leaving. [3] The importance of understanding that each facility may not calculate their employee turnover the same way must be heavily emphasized and should be considered when benchmarking ratings. Inconsistencies in the way facilities calculate and monitor their employee turnover ratings can make benchmarking for performance improvement purposes challenging.

Conclusion

Understanding the employee turnover rates and how they impact the sustainability of healthcare organizations is a vital managerial competency. Many healthcare facilities continue to struggle with high employee turnover which can lead to lack of employee morale, decreased productivity, increased recruitment and termination expense, and increased learning curve errors. This mini-study revealed some organizations still experience high levels of employee turnover. Therefore, each healthcare organization should monitor their individual employee turnover rate by determining the best way to calculate it and then benchmark their ratings with other similar departments and/or organizations. This information will serve as a means by which to determine if changes need to be made in the hiring, recruitment, and retention efforts of the facility.

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