



The Top 5 Labor Strategies for the Healthcare Industry

As we all wait for the next piece of healthcare legislation to arrive from Washington, we are reminded that no matter the outcome, we will be expected to do a better job of controlling costs and improving service. The doctors, nurses, call center employees, and administrative staffs make our health care system work. The question will be how we can use them as effectively as possible. Core Practice completed a study in October of 2009 that resulted in the identification of key labor challenges in the healthcare industry:

1. *Lack of Scheduling Options Which Would Draw Top Talent*
2. *Costly Idle and Overtime Expenses Due to Schedule Inflexibility*
3. *High Turnover Costs*
4. *Out of date HR Policies*
5. *No Technology Strategy for Workforce Management Software*

Lack of Scheduling Options Which Would Draw Top Talent

The market for top healthcare talent is tight. The pool of qualified nurses is so small and demand is so great that the population is not dependent on any particular employer. Nurses are moving through different institutions at an alarming rate. We asked why. 82% of all nurses surveyed said that the work environment did not fit into their lifestyles. Some specifically said “to get off night shift” while others said that were looking for more days off.

The following 4 week rotation was the highest rated of all those shown during our study, but there are unlimited schedules to choose from:

Week/ Crew	M	T	W	Th	F	S	S	Hours
1	12	12	12	12	-	-	-	48
2	-	-	-	-	12	12	12	36
3	12	-	-	-	12	12	12	48
4	-	12	12	12	-	-	-	36
							Avg.	42



This schedule rotates through 4 weeks and gives employees an additional 13 weeks off each year with some built in overtime. Considering the requirement for weekend work in many environments, this model shares that responsibility equally with everyone. Other models are fixed and employees get the same days off each week but don't get the additional 13 weeks off. Creating more than one schedule option for your facility will allow for a better fit for your workforce. After all, not everyone wants to work 8 hour shifts, 5 days a week.

So, what can an employer do to hire and retain the best? Offer schedules that fit into employees' family and social lives. Alternative schedules can result in increased retention and be a **key differentiator between you and your competition**. With gas prices on the rise and commuting distances increasing, healthcare professionals overwhelmingly (87%) said they would rather work longer shifts to get more days off and commute less. These shifts also can work well in a healthcare setting, because longer shifts mean less shift changes and more productivity. They also allow for the flexibility to bring people in on overtime based on all the additional days off they enjoy.

Costly Idle and Overtime Situations Due to Schedule Inflexibility

Many schedules are set up with very little built in flexibility. That makes sense in environments where nothing changes. We know in the healthcare industry that not only is there demand seasonality, but variability as well. H1N1 and other potentially volume changing events can dramatically change the landscape in short notice. Are your schedules and labor strategies flexible enough to handle unexpected and demanding changes? We know that excessive overtime can cause errors and health and safety issues. However, reasonable amounts of overtime (about 12 hours spread across a week) can provide the flexibility you need and the additional income many of your employees want. Our study showed that 63% of healthcare employees are working less overtime than they would like, while only 17% felt they were working too much.

There are three main types of flexibility, and each one serves a different demand profile. Some facilities need short bursts of increased staffing in order to fill demand (**vertical**). Others need increases at the end of the week (**horizontal**), either to handle higher injury rates or to accommodate patient availability. In many cases, our clients need a carefully engineered balance of these scheduling abilities (**density**). The traditional set of schedules most healthcare companies use limit their ability to adjust strategically to meet demand in a cost effective way. Often existing schedules allow some flexibility but not enough to meet today's on demand world. A facility with a uniquely tailored scheduling system can most efficiently and effectively meet the special demands of its clients and patients and the needs of its employees.

High Turnover Costs

The amount of money spent to recruit, hire and train an employee in the healthcare industry (assuming accreditations are already complete) costs about \$2,500. Turnover is expensive. Considering the short supply of healthcare professionals (especially nurses and pharmacists) in today's job market, no organization can afford to lose even one valuable employee. When we asked healthcare professionals if they thought pay and benefits were good compared to other companies in the areas, 81% said yes. That isn't to say that everyone wouldn't like a raise, but compensation isn't the main reason why healthcare professionals are leaving their jobs. They are leaving because the schedules they work don't fit into their lifestyles. 48% said that their schedule was not predictable enough. 72% said that it didn't fit into their family and social life. Improvements to labor strategies and schedules are cost-free ways to decrease turnover. In fact, employers often save money through increased productivity and flexibility. This is in addition to the decreased cost of turnover.



Out of Date HR Policies

Operations that work around the clock 24 hours a day, 7 days a week, often have HR policies modeled after an office environment that works Monday to Friday, 9 – 5. Key red flags typically involve paying holidays and vacations based on shift length instead of total hours, paying shift differentials or incentives for employees to work non-traditional hours, paying overtime for weekend work, and including excessive overlaps between shifts.

Vacations and holidays represent a classic error in HR policy. If an employee works a 12 hour shift and has 2 weeks of vacation, making all of those vacation days 12 hour pay would give the employee a 50% increase in the benefit. Instead, vacations and holidays should be converted to hours. If you currently have 2 weeks of vacation pay, that should be the equivalent of 80 hours. Holidays work the same way. Converting everything to hours means that no matter what the shift length, everyone gets the same paid benefit.

Shift differentials or shift premiums as they are sometimes called are also unnecessary. Solving a scheduling challenge by trying to pay off the workforce doesn't solve the problem, only prolongs it. Employees still want better schedules even though they are making an extra dollar an hour.

No Technology Strategy for Workforce Management Software

5 or 10 years ago we told all of our customers that Workforce Management Software (WFM) was not ready for primetime. This has changed. Companies like Kronos have brought advanced tools to the marketplace that not only automate scheduling employees, but also provide management tools like analytics to give actionable information to decision makers. In today's on demand world, the healthcare industry is being pressured to reduce costs, hire the finest staff, and consistently provide the highest level of service. Considering all the moving parts, management teams need to leverage technology to get an edge and stay competitive. Software isn't going to think for you or make strategic decisions, but in the hectic, ever-changing world of healthcare, it will give you the information you need to make the right labor management decisions.

Conclusion

In conclusion, our comprehensive study on labor strategies for the healthcare industry has yielded some surprising results. Although employees understand that they receive good pay and benefits, morale is still suffering. Antiquated HR policies and rigid scheduling practices are forcing high turnover and poor job satisfaction. This is a solvable problem. In fact, focusing on this challenge will not only improve morale, it can also save you millions of dollars in unnecessary labor costs.

Core Practice LLC is the world's leader in Operation and Labor strategy, specializing in shift work and scheduling. If your organization operates outside the 9-5, Monday through Friday work week, contact John Frehse, Chief Strategist and Executive Coach at: JFrehse@Corepractice.com or call 1-212-534-0539

Executive Workshop

Companies can also learn about our free half day executive workshop on our website at: www.corepractice.com.

