

MARKET WATCH

How Can Employment-Based Benefits Help The Nurse Shortage?

Making nursing more attractive involves more than just wage levels.

by Joanne Spetz and Sara Adams

ABSTRACT: During a labor shortage, employment-based benefits can be used to recruit and retain workers. This paper provides data on the availability of benefits to registered nurses (RNs), reports on how health care leaders are approaching the provision of employment-based benefits for nurses, and considers what nurses have to say in focus groups about benefits. Because of the ongoing nurse shortage, many employers are trying to enhance the benefits they offer to support recruitment and retention efforts. We offer recommendations for health care leaders that follow from our findings about the current state of nurses' employment-based benefits. [*Health Affairs* 25, no. 1 (2006): 212–218]

FOR THE PAST EIGHT YEARS there has been widespread concern about a chronic shortage of registered nurses (RNs). Although the supply of RNs appears to have risen in the past two years, there is widespread agreement that the aging of the nurse workforce will cause long-term problems.¹ RNs' wages are expected to rise as the shortfall of RNs continues.²

Employee compensation includes nonwage benefits, such as health insurance, paid vacation, retirement programs, child care support, tuition reimbursement, and other benefits. Benefits account for about 29 percent of the compensation provided to employees who receive them.³ During a labor shortage, employment-based benefits can be particularly important as a device to recruit and retain workers.⁴ They are known to improve employee satisfaction and recruitment and retention of staff.⁵

Relatively little is known about the benefits received by RNs and the role these benefits can play in addressing the ongoing and future nurse shortage. This paper provides data on the availability of benefits to RNs, reports on how health care leaders are approaching their provision for nurses, and considers what nurses have to say about the benefits they do and do not receive. We offer recommendations for health care leaders that follow from our findings about the current state of nurses' employment-based benefits. Our study is based on analysis of data from the Current Population Survey (CPS) and on interviews and focus-group research; further details are presented in context below.

Study Findings

■ How many nurses receive benefits?

We identified a wide range of employer benefits in this study. Most analyses of such benefits focus on retirement plans and health insur-

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ance, which are among the most costly, and most common, employer-provided benefits in the United States. However, some employers offer a wide variety of other benefits to nurses, ranging from tuition reimbursement to discounted hospital care (Exhibit 1). To measure the availability of health and retirement benefits to RNs, we analyzed data from the 2003 CPS. We could find no national source of data on the availability of other types of benefits for nurses.

Exhibit 2 presents the shares of RNs and licensed practical nurses (LPNs) who were enrolled in retirement and health benefits through their employers in 2003, as compared with all other U.S. workers and workers who have at least some college education. All RNs and nearly all LPNs have some postsecondary education; thus, this last group provides a particularly relevant comparison. RNs are more likely to be enrolled in a retirement plan and health insurance through their employer than the other workers examined in this study. Analysis of CPS data from 1995–2003 demonstrated that there has been no significant change in enrollment in retirement or health benefits for nurses.

Whether an employee receives an employer-provided benefit depends on both whether the employer offers the benefit and whether the employee chooses to accept the offer. Detailed analysis of the CPS data indicates that 78 percent of RNs are offered a retirement plan by their employer and that 81 percent enroll in the retirement plan offered. RNs are more likely than other workers to enroll in their employer's health plan, with 69 percent enrolled as compared with 55 percent. RNs who work in hospitals are more likely than other RNs to have employer-sponsored health insurance and retirement savings: More than 72 percent are enrolled in each type of benefit. In 2003, 5 percent of all RNs were uninsured.

■ **Benefits for nurses as a recruitment/retention tool.** To learn about trends in the availability of benefits for RNs, we interviewed eleven health care leaders who have professional knowledge about nurses' benefits

and represent a range of perspectives. We selected two states: California and Massachusetts. The nurse labor markets of these states are dissimilar; California's RN-to-population ratio is nearly the lowest in the United States, while that of Massachusetts is nearly the highest.⁶ Because trends in these two states might not represent all U.S. regions, we also interviewed two people representing a national perspective: a partner in a large human resources consulting firm and a vice president of a national provider organization. We also conducted four focus groups with RNs in the two states to understand how RNs perceive the benefits they receive and what benefits they prefer. Forty-four nurses participated in the four focus groups; twenty-one received employer benefits, and twenty-three did not.

All of the key informants representing employers said that their organizations provide a wide range of benefits to invest in staff and competitively recruit and retain qualified employees. Because of the ongoing nurse shortage, many employers are trying to enhance the benefits they offer, with a focus on retaining employees. Most of the informants agreed that once an employer has a good basic benefit package, wage increases are more important than benefit improvements in recruitment; most focus-group participants agreed with this statement. A few informants added that the overall work environment is extremely important to the retention of staff, and two specifically stated that issues such as staffing ratios and overtime work are more important than incrementally improving other benefits. Many focus-group participants echoed this prioritization, believing that "it is more important to be respected and recognized for the work you do than to have great benefits."

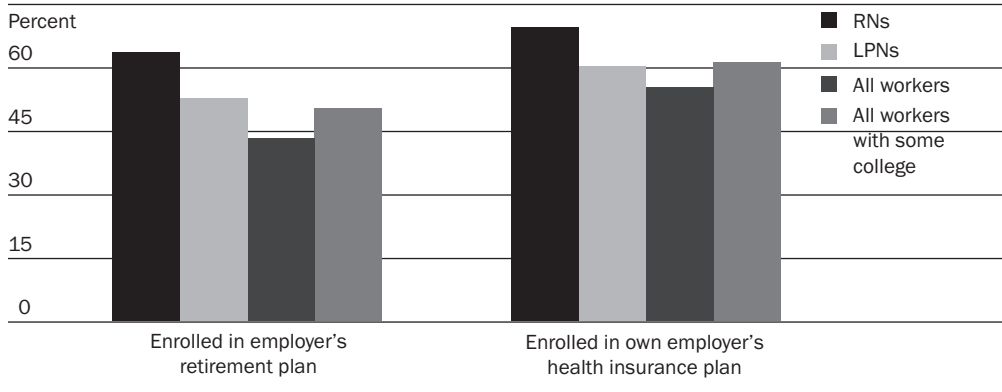
Most of the focus-group participants who did not have employer-provided benefits were working on a per diem basis or were part-time employees who did not work enough hours to qualify for benefits. The majority of them preferred their per diem status because of the greater flexibility and control it offered them and the higher hourly rate of pay. Nearly all of them received health insurance through

EXHIBIT 1
Types Of Benefits Received By Nurses Identified In The Study Of Nurses' Employer-Provided Benefits

Type of benefit	Example
Paid leave	Vacation Illness leave Paid time off (PTO, combined vacation and illness) Extended sick leave (usually with PTO program)
Health insurance	Medical insurance (single plan or choice of plans) Dental insurance Vision care plan Retiree health benefits Section 125 medical spending ("flexible spending") plan Long-term care insurance Disability insurance
Retirement benefits	Defined-benefit plan (pension) Defined-contribution plan (401k, 403b, employer match)
Work-shift scheduling	Alternative shifts (3 hours, 5 hours, etc.) Protection from shift rotation (day to evening to night) Unit self-scheduling Higher pay for unpopular shifts Baylor plan (full-time pay for two twelve-hour weekend shifts) Internal float pool Internal registry Per diem staff
Educational benefits	PTO for continuing education On-site continuing education Paid off-site continuing education Student loan repayment for new hires Scholarships in exchange for employment promise Tuition reimbursement for college/trade school Salary support for educational time Forgivable student loans for employees Extended RN orientation Mentoring and preceptor programs Clinical ladders with higher pay for education/skills
Child care	Section 125 child care ("flexible spending") program On-site child care Care for sick children
Other health benefits	Health club membership On-site wellness program Discounted medical care at the hospital On-site massages
Other benefits	Life insurance On-site or subsidized parking Public transit passes or discounts Care for dependent elders Ergonomic improvements (lift teams, equipment)

SOURCE: Authors' analysis.

EXHIBIT 2
Enrollment In Retirement And Health Benefits For Registered Nurses And Other Workers, 1995–2003 Data Combined



SOURCE: Bureau of Labor Statistics, 2003.
NOTES: RN is registered nurse. LPN is licensed practical nurse.

spouses, private purchase, or other routes.

■ **Vacation, sick leave, and paid time off.** All employers represented by our informants offer some paid time off to employees, through either separate sick and vacation allotments or a “paid time off” (PTO) program, in which sick and vacation leave days are combined into a single pool. Many employees and employers like PTO programs, but some concerns remain. Employees have an incentive to go to work even when sick, because taking a day off for illness reduces the number of days available for vacation. Another concern revolves around the question of how many PTO days an employee must take before he or she can receive short-term disability pay or “extended sick leave.”

Focus-group participants noted that requests for vacation are denied when patient census is high, other nurses have scheduled vacations, or there are staffing shortages. Most participants with paid sick leave said that they rarely use all of their sick time, because it reflects poorly on the individual to take many sick days, and they are reluctant to let their coworkers down by being absent.

■ **Health insurance trends.** Most of the key informants representing employers said that they offer health insurance to employees and their family members, with a choice of plans typically including at least one health

maintenance organization (HMO) and one preferred provider organization (PPO). Most employers offer basic dental insurance, which can be purchased for dependents as well, and a vision care plan.

The cost of health insurance rose precipitously in the late 1990s and early 2000s, which led some employers to stop offering it to workers, require employee contributions to premiums, and require larger monthly employee contributions.⁷ The most commonly cited response to premium increases is to raise the employee contribution, but several informants noted that health industry employers are expected to be generous with health care benefits. However, some employers are considering scaling back their offers. A few informants also noted that nurses’ unions place pressure on hospitals to cover most health care insurance premiums.

■ **Retirement benefit trends.** Retirement benefits are categorized as either defined-benefit or defined-contribution plans. The former are essentially pension programs, in which the retirement benefits received by employees are established according to a predetermined formula. The latter provide a predetermined amount of money to be invested in stocks, bonds, and other investment vehicles. There has been a general movement toward

defined-contribution plans throughout the United States during the past few decades.

Nearly all hospitals offer some retirement program to their employees. The defined-contribution 403(b) is the most common plan offered in the health care industry: 78 percent of health care employers provided this option in 2003.⁸ Fifty-two percent of hospitals that offer any type of retirement plan offer both defined-benefit and -contribution plans.⁹ The dominance of defined-contribution plans in the hospital industry is not surprising, because many hospital personnel do not work full time or continuously over their work lives. Changing jobs is quite common in this industry; nurses average twenty-eight months in their first clinical position and only forty months in their fourth.¹⁰

Large drops in the stock market in the late 1990s and early 2000s led some employees to press for defined-benefit plans. One survey found that 46 percent of workers with traditional pension plans would pass up a new job in order to become vested in their pension plan.¹¹ According to our key informants, a few employers have reestablished pension plans, but in nearly all cases, the conversion was part of a contract negotiated with a union.

■ **Flexible schedules in health care.** Because many health care providers deliver care twenty-four hours a day, seven days a week, they can provide flexibility in scheduling that is valuable to many employees. Work schedules figure prominently in nurses' ratings of their job satisfaction, along with job security, salary, and fringe benefits.¹²

Most of our key informants reported that their institutions do not require employees to rotate across shifts; once a nurse has been hired for a specific shift, such as evenings, the nurse will stay on that shift unless there is an explicit agreement to change. Most of the key informants said that their hospitals schedule staff using twelve-hour shifts, but some maintain eight-hour shifts or offer three-hour and five-hour shifts. Some hospitals allow each unit to schedule its own employees, subject to guidelines about the numbers of staff needed for each shift.

Over the years, employers have developed a variety of strategies to fill unpopular shifts. Nurses who work nights or weekends usually receive higher pay than day-shift and weekday nurses. Many hospitals maintain a pool of nurses who "float" across units, based on patients' needs. Some key informants said that their hospitals have an in-house "registry" to encourage staff to sign up for additional shifts. Many hospitals also have a pool of per diem workers, who are offered shifts after regular staff have had the opportunity to choose unfilled shifts.

■ **Educational and career development benefits.** Most hospitals offer educational benefits to nurses. The most common educational benefit is paid time off to attend continuing education (CE) classes, which are required for renewal of licensure. Many hospitals offer such classes on site, and some hospitals reimburse staff for off-site CE.

Other educational benefits fall into two categories: recruitment and grow-your-own strategies. Recruitment-targeted benefits focus on attracting newly graduating nurses to the employer. For example, some employers offer student loan repayment for new employees, which is attractive to graduates with debt. A few employers offer scholarships to nursing students in exchange for a guarantee that the student will work at the hospital for a few years after graduation.

A growing number of employers believe that their own employees can help address shortages in nursing, pharmacy, and other professions. Employers can offer forgivable education loans, scholarships, tuition reimbursement, salary support for educational time, and other incentives to pursue RN education. In the long term, these programs help employees move up a "career ladder," which provides professional and financial advantages.

More employers also are developing extended RN orientation, mentoring, and preceptor programs, the key informants told us. Senior staff are given incentives to participate in these programs, which are believed to reduce attrition of newly hired nurses. Preceptor programs also can facilitate the transition of a

nurse to a new department, such as oncology or pediatrics.

Some employers have developed explicit clinical ladders for employees, with greater pay at each rung. For example, one key informant's hospital provides a 2.5 percent pay raise to nurses who obtain specialty certification. However, the union representatives with whom we spoke do not view these programs as important. They note that the details of these programs can be problematic, particularly when there are limits to the numbers of nurses who can reach each rung.

■ **Other benefits.** The key informants noted a variety of other fringe benefits available to their employees (Exhibit 1). These benefits can be important in certain contexts. For example, hospitals located in central cities often have severe shortages of parking spaces and thus have been creative about providing parking to staff. One key informant reported that her hospital had an on-site sick-child program for employees' dependents. Another informant noted that some employers are developing such programs for the care of workers' elderly dependents if they are ill.

Several key informants noted that they have developed programs to reduce the physical demands of nursing, and they viewed this as a benefit to employees. For example, one hospital has a "lift team," which is a team of unlicensed staff that lifts and moves patients. This program has greatly reduced back injuries among RNs.

Recommendations For Health Care Leaders And Employers

Employer-provided benefits are an important part of nurses' compensation, and nurses are generally happy with their benefits. Nonetheless, one national survey reported that 28 percent of RNs listed benefits as the item they liked least about their current employer.¹³ Thus, we recommend that health care leaders and employers carefully review the benefits they offer to their nursing staff and ensure that nurses are consulted about the benefits they want and need.¹⁴

■ **Benefits and an aging RN workforce.**

The aging of the RN workforce poses a serious challenge to employers. Many hospitals' nursing workforces exhibit a bimodal age distribution, combining older nurses, who expect to retire within ten to fifteen years, with new entrants, who are young and healthy. One key informant observed that this trend, along with the fact that labor markets are inherently regional rather than national, means that there is no one-size-fits-all benefit package that every employer should offer.

Employers should develop strategies to facilitate the gradual retirement of nurses and the ability to return to work part time after retirement. Employers can structure pension programs so that nurses can work while receiving a pension. Nurses eligible for Medicare might continue working if they can receive employer-paid Supplemental Medicare Insurance (Part B) or Medigap coverage. Hospitals must focus on the ergonomic needs of older nurses and invest in the staff and equipment that will be needed to support their continued employment. Older nurses can be valuable assets to employers by offering clinical training and mentoring of younger staff.

■ **Offering maximum flexibility to staff.**

Nurses in our focus groups place a high premium on their schedules. Employers should develop scheduling strategies to satisfy the preferences of as many employees as possible. Many employers offer a variety of shifts to employees, ranging from three to twelve hours, and many hospitals allow departments to develop self-scheduling mechanisms.

Nurses who choose to work per diem have different benefits needs and preferences than those who choose to work regular schedules. When per diem nurses were asked if there were any benefits they wished they received, health insurance was cited most often. Hospitals wishing to attract per diem staff or establish an internal nursing registry should consider offering some sort of health insurance benefit to those staff.

■ **Investing in the future nurse workforce.** The development of "grow-your-own" career ladders through various education benefits shows promise to address shortages of

health care professionals while improving staff retention. Some employers offer their staff paid time off to pursue RN education, and most offer some type of tuition reimbursement. Such programs allow a hospital to expand its supply of nurses, and the nurses educated through these programs are believed to be loyal to their employers.

■ **The benefit of a good work environment.** Surveys of nurses often find that the work environment plays a larger role than wages and benefits in retention of staff. Nurses complain the most about problems in the work environment such as low staffing ratios, high levels of unanticipated overtime, and lack of support from management.¹⁵ Nurses in our focus groups echoed these opinions, noting that “how we feel about our patients and the quality of work we are doing are more important than the benefits we get.” Hospitals must redouble their efforts to improve the working conditions for RNs, both to retain them and to ensure that patients receive high-quality nursing care.

Improved benefit packages and higher wages will not magically solve the problem of recruiting and retaining qualified nurses. Employers must recognize that staff wages and benefits must match the market but that the overall satisfaction of nurses, and their ability to provide high-quality care, depends on developing holistic approaches to improving the workplace. Although fringe benefits play a role in this holistic approach, they should not be the sole focus of human resource managers.

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NOTES

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