The Great Resignation: The High Cost of Employee Turnover

The value of keeping happy employees is priceless.

BY JON A. HULTMAN, DPM, MBA

At the height of the COVID epidemic in 2021, Lorna Borenstein, a member of the Forbes Human Resource Council, wrote an article about what economists have coined *The Great Resignation*. In this article, Borenstein stated that, "What's happening is a big wake-up call to employers. It's part of a larger trend that's taking shape in real time and speaks to the very heart of the employer-employee contract. There are a record 9.2 million job openings, but employers can't fill them." Clearly, one outcome of the prolonged COVID-19 pandemic has been a shift in priorities, with many choosing either to seek their "dream jobs" or permanently leave the workforce and become stay-at-home parents.

In her July, 2021 "Worklife" blog for BBC.com, Kate Morgan cited a Microsoft survey of 30,000 global workers; the survey reported that 41% of global workers were considering quitting or changing professions, and as we head into 2022, 38% of those surveyed planned to quit in the next six months to one year. According to Morgan, "The decision for many to leave came as a result of the way their employer treated them during the pandemic." This trend is already impacting podiatric physicians—it is becoming more difficult to find and/or retain key employees.

As with most other businesses, a medical practice experiences disruption and incurs considerable costs when it loses a valued employee. When any staff member leaves, existing staff must take on extra duties until a replacement is found, and patients potentially lose a familiar contact they had had with the practice. The staff and doctor are now put in a situation in which they must launch a search, screen resumes, schedule and complete interviews with multiple candidates, and both negotiate with and train the new employee. This all generates costs which can extend well beyond those associated with the initial search and training processes, and the new employee may, or may not, work out over the long-term. In addition, the doctor and staff must now adapt to changing social dynamics created by the introduction of a new personality into the workspace. For all of these reasons, a practice should put forth significant effort to retain productive, well-trained employees.

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How much can turnover cost a medical practice? Some recent studies estimate that the costs generated from the turnover of a staff member range from 20% to 150% of that employee's annual salary. In a typical small business, the actual out-of-pocket administrative, recruitment, and training costs may be relatively low; however, in a small medical practice these costs are compounded by the negative impact that turnover has on practice productivity, efficiency, collections, patient satisfaction, and growth. It can take a new hire up to one or two years to become as productive as a previous, well-trained staff person. This "opportunity cost" will vary dramatically among practices—depending on the number of employees, the efficiency level of the business and medical processes employed, and the degree to which staff members are empowered and cross-trained. No matter how good the situation, this cost is always significant.

One method of estimating the potential cost of turnover in a medical practice is to measure the impact of any turnover in terms of a range of

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percentages. For example: it might be determined that the impact of turnover would be a 5 percent reduction in productivity or a 5 percent decline in the collection ratio—depending on what type of employee is leaving. The impact of either of these happening would be a 5 percent reduction in total practice revenue. Say that the practice produces $600,000 a year. This 5 percent reduction equates to $30,000, and this is in addition to (1) any fees paid to a hiring agency and (2) any negative impact on patient satisfaction. In fact, most industries put the opportunity cost related to reduced productivity due to loss of a staff member much higher than 5%—especially if the exiting employee has been a "superstar."

What impact can the loss of one employee have on a practice? If a practice has three employees, losing even one decreases the staff by 33 percent. Another way to look at this percentage is that it will require a 50% increase in staff to return to three employees from two. When the one of three who leaves happens to be a key employee, he or she may actually have been responsible for more than one-third of the total staff output. Such a situation will greatly impact staff effectiveness. Patient access to the practice, their wait times, and productivity will all be affected if the departing person is a medical assistant working in the treatment area with the doctor.

These factors, in turn, negatively impact revenue as well as patient satisfaction. When an employee in the business office leaves, the percentage of receivables collected is likely to decrease. In some offices, the loss of one person can virtually halt the entire billing process or dramatically reduce the amount of time available to the doctor for providing necessary services at the time of patient visits. While poor service resulting from a loss of key staff may not have an immediate financial impact, it will definitely affect the long-term growth and reputation of the practice.

How do we keep productive staff from leaving? Multiple studies have shown that under-compensation does contribute to employee turnover yet is not the sole explanation for its occurrence. Simply increasing salary will not compensate for a stressful workplace or change the outlook of a person who is unhappy with the type of work s/he is performing. When a productive employee does leave a medical practice due strictly to dissatisfaction with salary, it is important that management recognize that this typically creates a cost to the practice that will go well beyond what would have been incurred had that employee's salary simply been increased to a fair market rate. As to the employee who is unhappy with the actual tasks s/he is performing—efforts can, and should, be made to improve job satisfaction. Such change keeps the employee with the practice and almost always improves that employee's productivity—which, in turn, creates the means to increase his/her salary.

What are people looking for in the "ideal" job? In his *Hierarchy of Needs*[1], Abraham Maslow, an American psychologist, identifies those things that lead to personal happiness in a job. His study outlines for us the human needs anyone wanting to retain capable staff members should strive to meet. These needs are: (1) a sound financial base—desirable salary, benefits, and job security, (2) a sense of belonging—good relationships with management and peers, (3) a sense of esteem—recognition of employee efforts and career advancement opportunities, and (4) an opportunity for personal skill development—along with work that is both challenging and meaningful. Medical practices offer clear opportunities to meet all of these needs.

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Today, employee satisfaction includes work-life-balance as well as enjoying the type of work being done and being paid a desirable salary. In addition to implementing teamwork concepts, an employer should also consider offering greater flexibility in employee hours and focus on methods such as empowering and cross-training staff, both of which make jobs more interesting and more satisfying. Employees who are more satisfied with their jobs will want to stay. An additional benefit is that contented staff are going to have a positive impact on office productivity and, ultimately, on revenue—an outcome which enables the practice to offer competitive salaries. Well-compensated employees who are happy with their work environment will not want to leave, and from the doctor's perspective, working daily with staff who love their jobs and feel they are fairly paid is priceless. **PM**

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Reference

[1] Maslow's Hierarchy of Needs is a theory in psychology proposed by Abraham Maslow in his 1943 paper "A Theory of Human Motivation" in Psychological Review.

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