

# How Can Employment-Based Benefits Help the Nursing Shortage?

# Nursing

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## Executive Summary

For the past eight years, there has been pervasive 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, including large losses of nurses to retirement and decreased ability of older nurses to hold physically demanding jobs. During a labor shortage, employment-based benefits—such as health insurance, paid vacation, retirement programs, and tuition reimbursement—can be an important device to recruit and retain workers. Employment-based benefits are known to improve employee satisfaction, increase retention of staff, and enhance recruitment of personnel. However, relatively little is known about the employment-based benefits received by RNs and how these benefits can play a role in addressing the ongoing and future nursing shortage. This report provides data on the availability of employment-based benefits to RNs as compared with the general workforce, reports on how health care leaders are approaching the provision of employment-based benefits for nurses, and considers what nurses have to say about the employment-based benefits they receive 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. Overall, benefits are an important component of efforts to improve the working conditions for RNs, both to retain them and to ensure that patients receive high-quality nursing care.

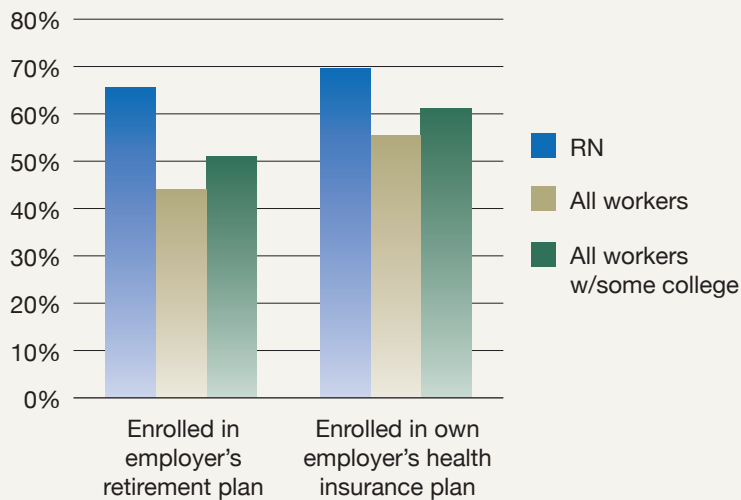
## How many nurses receive benefits?

To measure the availability of health and retirement benefits to RNs, we analyzed the Current Population Survey (CPS) from 1995 through 2003. We could find no national source of data on the availability of other types of benefits for nurses. **Figure 1** presents the shares of RNs who

are offered and enrolled in retirement and health benefits through their employers, as compared with all other U.S. workers and workers who have at least some college education. RNs are more likely to be enrolled in a retirement plan and health insurance through their employer than other workers, indicating that RNs are in a relatively good position with regard to benefits as compared to other workers.

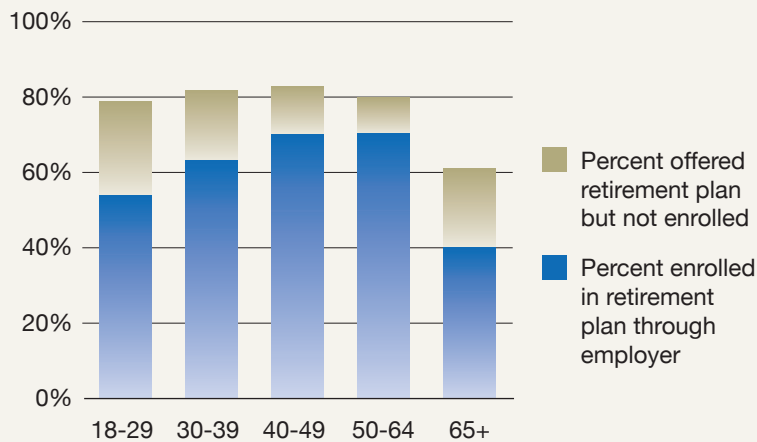
Age is one of the most important determinants of whether a nurse is enrolled in an employer-provided retirement plan, as seen in **Figure 2**. The share of RNs choosing to enroll in the offered plan rises from 69 percent among RNs ages 18 to 29 to 88 percent among RNs ages 50 to 64. RNs who work in hospitals and whose employment is covered by union contracts are more likely to be enrolled in employer-sponsored retirement and health plans. Eighty-one percent of male RNs are enrolled in their own employer's health plan, while only 69 percent of female RNs are enrolled in their own employer's health plan. A large share of female RNs is enrolled as dependents on somebody else's plan.

**Figure 1: Percent of workers enrolled in employer benefit plans, 1995–2003**



Source: Current Population Survey, 1995–2003.

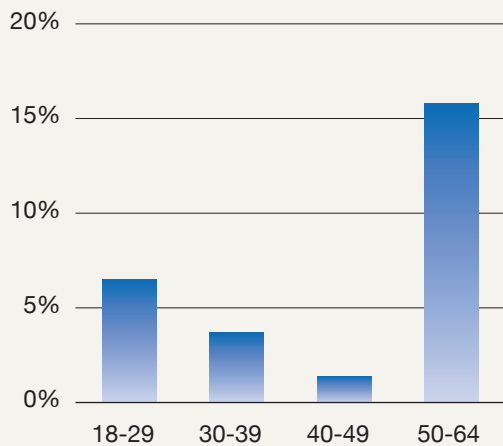
**Figure 2: Enrollment in employer-sponsored retirement plans, by age group, 1995–2003**



Source: Current Population Survey, 1995–2003.

Not surprisingly, the amount of time a nurse dedicates to a job affects whether the nurse is offered benefits. Seventy-three percent of RNs who work full time throughout the year are enrolled in employer-provided retirement programs, but only 59 percent of part-time employees are enrolled. Eighty-one percent of full-time RNs are enrolled in their employer's health insurance, but only 49 percent of part-time RNs are enrolled. Nine percent of RNs who work part time for part of the year are enrolled in Medicare, suggesting that many of these RNs are semi-retired.

**Figure 3: Percent of uninsured working RNs, by age group, 1995–2003**



Source: Current Population Survey, 1995–2003.

An unexpectedly high share of nurses does not have any type of health insurance, as presented in **Figure 3**. In 2003, five percent of RNs were uninsured, and the share of RNs that is uninsured changes dramatically with age. Between the ages of 18 and 49, the likelihood of being uninsured falls with age. Only 1.4 percent of RNs between the ages of 40 and 49 have no source of health insurance, when all sources of insurance are considered. However, 16 percent of RNs between the ages of 50 and 64 do not have health insurance, primarily because

of a decline in enrollment in employer-sponsored plans. It is not clear from the data whether this decline is the result of older nurses being less likely to hold jobs that include health insurance, or whether older nurses are more likely to choose not to enroll in insurance that is offered.

## Trends in the provision of benefits to nurses for recruitment and retention

To learn about trends in the availability of employer-provided benefits for RNs, we interviewed 11 health care leaders who have professional knowledge about nurses' employment-based benefits and represent a range of perspectives. To understand how RNs perceive the benefits they receive, and what benefits they prefer, we conducted four focus groups with RNs in California and Massachusetts. Separate focus groups were held for nurses who received employment-based benefits and those who did not. A total of 44 nurses participated in the four focus groups, 21 of whom received employer-provided benefits and 23 of whom did not.

Because of the ongoing nursing shortage, many employers are trying to enhance the benefits they offer to support recruitment and retention efforts. Informants noted a focus on retention of employees, by offering benefits such as tuition reimbursement, flexible shift scheduling and retention bonuses. Several informants observed that nurses' preferences for benefits vary with age; younger nurses are typically interested in wages and career opportunities, while older RNs care more about benefits and retirement plans.

Most of the informants agreed that once an employer has a good basic benefits package, wage increases are more important in recruitment than benefits improvements; 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 "it is more important to be respected and recognized for the work you do than to have great benefits."

### ***Which Nurses Are Offered Benefits?***

Most interviewees who represented employers said their firm offers benefits to nurses working 20 or more hours per week, but there is variation in the threshold from 16 to 24 hours per week minimum. The threshold for "full-time" work varies from 30 to 36 hours per week. Per diem employees typically are not eligible for any benefits, although some employers said their 401(k) retirement plans are available for per diem workers who work at least 800 to 1000 hours per year. 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 these individuals preferred their per diem status, despite the lack of benefits, because of the greater flexibility and control it offered them and the higher hourly rate of pay. Nearly all of them received health insurance and had access to retirement plans through spouses, private purchase or other mechanisms.

### ***Vacation, sick leave and paid time off***

All employers represented by our informants offer some paid time off work to employees, either through 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. The informants indicated that there have been no or few changes in the paid leave time offered to employees in recent years. According to the union representatives we interviewed, workers do not like to switch to PTO programs because accumulated sick and vacation time are often lost in the transition process. Most of those who have PTO are happy with this structure, but a few individuals would prefer to have separate allotments for vacation and sick time, because they have seen people use all of their time with an illness and then be unable to take a vacation that year. A particular concern for focus group participants was difficulties faced in using all allotted vacation time. The participants noted that requests for vacation are denied when patient census is high, other nurses have scheduled vacations, or there are staffing shortages. Among those respondents who did not have vacation leave paid by their employers, most did not seem to miss this benefit. Because many of these individuals were per diem employees, they could usually plan their schedules to take vacations when they wish.

### ***Health insurance trends***

Most of the key informants representing employers said they offer health insurance to employees and their family members, with a choice of health insurance plans typically including at least one health maintenance organization (HMO) and one preferred provider organization (PPO). All employers offer at least one basic dental insurance plan, and most have a vision care plan. The responses of employers to precipitous health insurance cost increases have varied in recent years. Some informants said they already offer HMO insurance to employees and require their workers to contribute to the cost of insurance, and thus can do little more to encourage employees to select less-expensive health insurance. Other employers are considering scaling back their offerings, usually by asking employees to contribute more to insurance costs.

### ***Retirement benefits trends***

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, with 78 percent of health care employers providing this option to employees in 2003. The second most common defined-contribution program is the 401(k) plan. Fifty-two percent of hospitals that offer any type of retirement plan offer both defined-benefit and defined-contribution plans. Defined-benefit plans are essentially pension programs, in which the retirement benefits received by employees are established according to a predetermined formula. Defined-contribution plans provide a

predetermined amount of money to be invested in stocks, bonds, and other investment vehicles. Health care organizations are offering better retirement packages and in-depth investment advice as tools to combat workforce shortages. Large drops in the stock market in the late 1990s and early 2000s have led some employees to press for defined-benefit plans. Moreover, pension plans can be particularly useful in the retention of workers. One survey found that 46 percent of all workers with traditional pension plans would pass up a new job in order to vest in their pension plan. According to our key informants, a few employers have re-established pension plans, but in nearly all cases the conversion was part of a contract negotiated with a union. The union representatives with whom we spoke said that hospitals have been resistant to pension programs, and thus they are interested in developing a union-managed pension trust similar to those observed among other trade unions.

### ***Flexible schedules in health care***

Because many health care providers deliver care 24 hours a day, seven days a week, they can provide flexibility in scheduling that is valuable to many employees. 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 their hospitals schedule staff using 12-hour shifts, but some maintain 8-hour shifts or a combination of shifts. A few hospitals offer 3-hour and 5-hour shifts to attract and retain employees. 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 patient needs. Some key informants said their hospitals have an in-house “registry” to encourage staff to sign up for additional shifts. All key informants said they prefer not to employ any external registry or traveling nurses. Several informants noted they prefer traveling nurses to registry nurses, because traveling nurses are contracted to work at the hospital for several weeks or months, while registry nurses move from facility to facility on a daily basis.

### ***Educational and career development benefits***

Most hospitals offer a variety of educational benefits to nurses. The most commonly found educational benefit is that of paid time off to attend continuing education (CE) classes, which are required for renewal of licensure. 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. Staff can receive forgivable

education loans, scholarships, tuition reimbursement, salary support for educational time, and other incentives to pursue RN education. A growing number of employers are developing extended RN orientation, mentoring and preceptor programs; senior staff are given incentives, such as reduced patient loads and training courses, to participate in these programs.

### ***Other benefits***

The key informants noted a variety of other fringe benefits available to their employees. Most employers offer life insurance and long-term disability insurance, and some hospitals offer long-term care insurance. Most employers offer “Section 125” plans, which enable employees to set aside pre-tax earnings for medical and child care expenses. Many hospitals have free on-site parking available, but hospitals located in central cities often have severe shortages of parking spaces. Urban hospitals often provide subsidized public transit passes and shuttle busses to remote parking lots. Some hospitals have on-site child care facilities, which can be subsidized and offer extended hours. One key informant reported that her hospital had an on-site sick child program for the dependents of employees. Another informant noted that some employers are developing programs for the care of sick elders who are the dependents of employees. Several key informants noted that they have developed programs to reduce the physical demands of nursing, such as having a “lift team” available to help move patients. One hospital offers on-site massages, for which most nursing departments pay on a rotating basis. Several informants said their institution offers subsidized membership to health clubs and gymnasiums, as well as on-site wellness programs.



## Recommendations for health care leaders and employers

Employer-provided benefits are an important part of the compensation offered to nurses, and nurses are generally happy with their benefits. However, some nurses are dissatisfied with the benefits they receive; one national survey reported that 28 percent of RNs listed benefits as the item they “liked least” about their current employer. 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. Some specific issues to consider are:

- **The aging RN workforce.** 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. Different fringe benefits are appealing to different demographic groups, and thus employers should ensure that the benefits they offer provide something of value to each age group. For example, if an employer decides to offer a child care subsidy, it should be matched with an elder care subsidy. Employers also should develop strategies to facilitate the gradual retirement of nurses, and/or the ability of nurses to return to work part time after retirement. Employers can structure pension programs so that a nurse 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 Medi-gap coverage. Finally, hospitals must focus on the ergonomic needs of older nurses and invest in the staff and equipment that will be needed to support the continued employment of older RNs, and consider how these nurses’ roles might be expanded through opportunities for training and mentoring new nurses.
- **Offering maximum flexibility to staff.** Nurses in our focus groups place a high premium on their schedules, with some wanting regular schedules on weekdays and others wanting evening or weekend shifts. Employers should develop scheduling strategies to satisfy the preferences of as many employees as possible. Nurses who choose to work per diem have different benefits needs and preferences than those who choose to work regular schedules. Nearly all of the nurses in our “no benefits” focus groups had health insurance and retirement plans, which they secured through spouses’ employers, other jobs or private purchase. When these 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 nursing workforce.** The development of “grow-your-own” career ladders, in which lower-level employees can obtain higher-level jobs through employer-supported training and education, shows promise to address shortages of health care professionals while improving retention of staff. Some employers offer their staff paid time off to pursue RN education, and most offer some type of tuition reimbursement. These types of 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 in retention of staff than wages and benefits. Nurses in our focus groups said, “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 benefits packages, and higher wages, will not magically solve the problem of recruiting and retaining qualified nurses. Employers must recognize that the wages and benefits received by staff 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. While fringe benefits play a role in this holistic approach, they should not be the sole focus of human resource managers.

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