MERCER HPA
HEALTH PROVIDER ADVISORY

Saint Luke's Health System Reduces Millennial Turnover by Over a Third in One Year

Saint Luke's Health System is a leading regional hospital network with 14 locations in Kansas and Missouri. As with many large hospital systems, Saint Luke's was experiencing issues with "quick quits" (employees with less than one year of tenure), retention of younger employees, and location- and function-specific turnover, particularly in more rural areas. Using standard benchmarks, the cost of this turnover was estimated at between $2.3 million and $3.4 million per year.

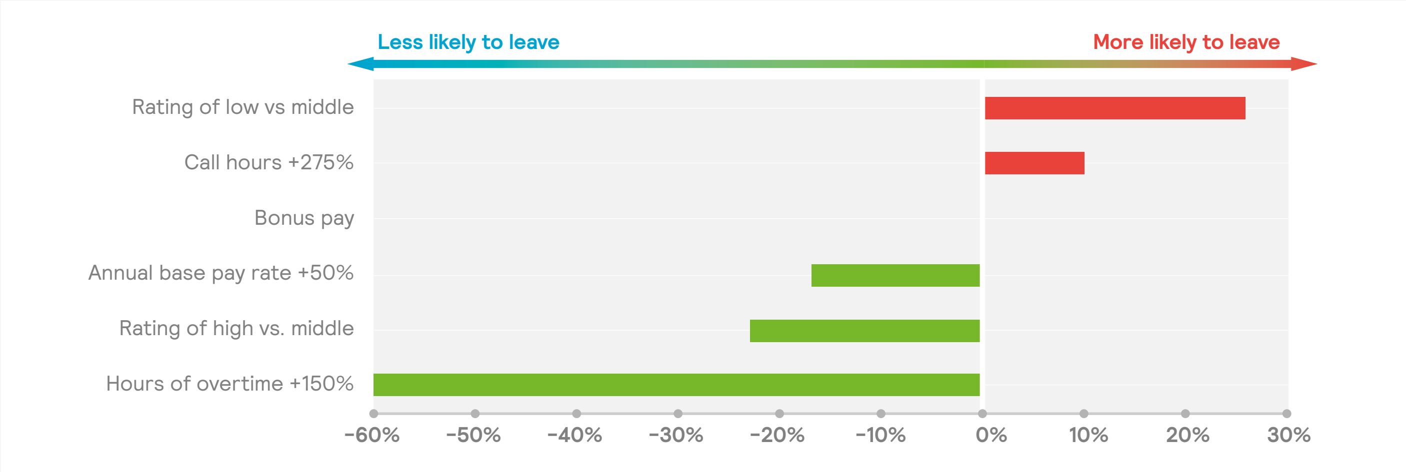
Partnering with the HR leadership at Saint Luke's, Mercer's Workforce Strategy & Analytics team conducted a turnover driver analysis in fall 2015 to help inform what actionable human capital interventions could address these issues. A follow-up analysis in spring 2017 gauged the results.

This analysis modeled how well a variety of human capital factors explained voluntary turnover, allowing both Mercer and Saint Luke's to pinpoint what could be changed, what could not and how best to move forward.

HOW MERCER HELPED SAINT LUKE'S IDENTIFY THE HUMAN CAPITAL FACTORS CAUSING TURNOVER

Based on Mercer's initial analysis, the biggest problem spots were a high percentage of "quick quits" (especially in key supporting roles) versus benchmarks and higher turnover among employees below the age of 35. Additionally, certain job families and locations were experiencing relatively high turnover, suggesting location-specific factors at work.

Figure 1: Overtime and Compensation Predictors of Resignation



The regression analysis of the leading predictors of turnover revealed a lot of things that were working, and some that were not. What worked? Performance management kept high performers and exited low performers. The effects of pay and overtime were aligned, each helping to retain employees with diminishing marginal returns. Each of these effects, however, was dwarfed by the churn of early service employees — an effect that could not be explained by pay or hours alone.

As a result, Mercer advised Saint Luke's to examine its onboarding and pre-hire assessment processes, as well as to evaluate its recruitment sources. In response, the health system developed new onboarding guides for employees and first-year guides for new leaders. Saint Luke's began monthly new-leader luncheons to brief new and newly promoted leaders on all the resources available to them through the first year and beyond. The system's Organizational Development Department also added a personal touch and called each new leader to provide this information.

As Saint Luke's struggled to retain younger employees, the Mercer team also suggested micro-targeting the "under 35" cohort by adjusting paid time off, flexible work arrangements, training and development opportunities to strengthen the employee value proposition. As a result, Saint Luke's created a System Millennial Engagement Team that meets quarterly and advises leadership on how it could make the organization a more attractive employer for millennials.

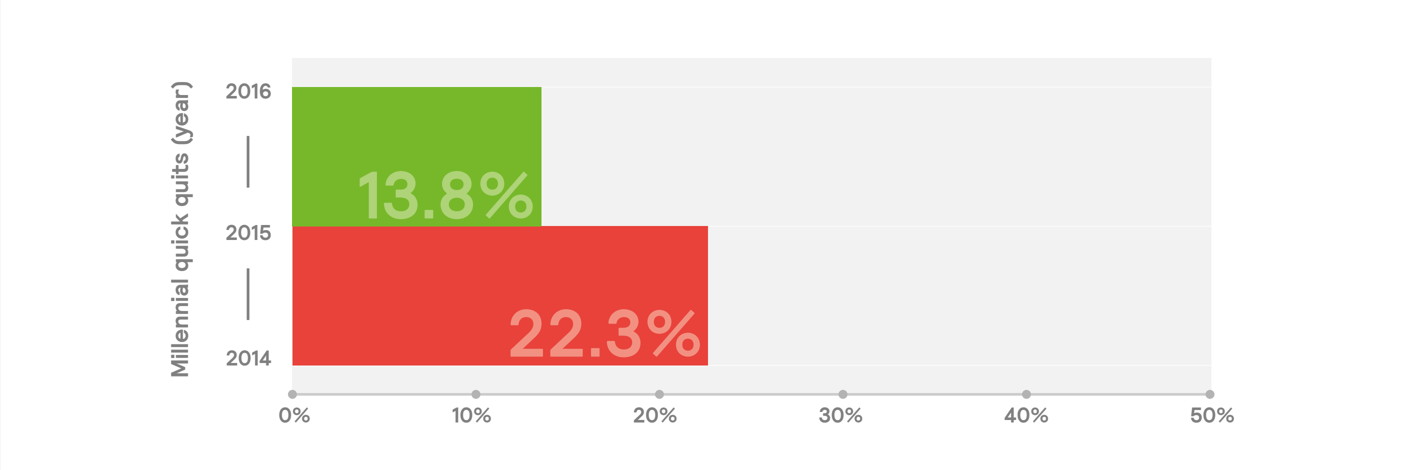
The most substantial work that arose from this effort was a new compensation model that clearly defined global career tracks. Every position slotted into a "rung" on a path to either a leadership position or a "master/guru/individual contributor" role. This change particularly resonated with the 30% of Saint Luke's workforce that were millennials, allowing them to chart their entire future career path within the organization. Mercer's results also helped support Saint Luke's ongoing development of a formal process for "wisdom transfer" from soon-to-be-retiring baby boomer managers to their potential millennial successors, which should further ensure the commitment of younger workers to the organization.

THE RESULTS: A SIGNIFICANT REDUCTION IN EMPLOYEE TURNOVER

When Mercer analyzed results of these actions two years later, the most significant result was the reduction in quick-quit turnover from a high 21% (above benchmark) to 13%.

Reduction in the quick quits of millennials was especially notable, moving from a rate of 22.3% of new hires in the 2014–2015 period to 13.8% in the 2015–2016 period. Based on cost benchmarks, this reduction in turnover equates to an estimated savings of $1.85 million to $2.55 million.

Figure 2: Saint Luke's Reduction in Millennial Quick-Quit Turnover



Finally, certain key targeted groups saw substantial turnover, with physician turnover falling by two to three percentage points. Additionally, 11 of the 14 locations studied saw a reduction in voluntary turnover from 2015 to 2016, with the other three experiencing roughly the same level.

By focusing on getting the onboarding process correct the first time around, Saint Luke's experienced rapid and substantial improvement in both millennial and quick-quit turnover, while in turn reducing turnover in several key locations and functions.

"Now that we've reduced turnover, we're able to shift focus to how we facilitate the transfer of institutional wisdom from more experienced managers to their younger counterparts," said Dawn Murphy, Senior Vice President of Human Resources at Saint Luke's. "This will ensure we retain our future leaders as well as the qualities and knowledge of leaders past and present that contribute to our success as an organization."

By highlighting the actionable elements of the turnover problem, moving quickly to address them and measuring the results, Saint Luke's had a robust, tailored solution that played to its strengths.

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