RECRUITMENT SOURCE AS A FACTOR AFFECTING TURNOVER & PERFORMANCE IN HOSPITALS

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ABSTRACT

This study examines the methods by which staff are recruited by hospitals. A brief review of the literature on recruitment source effectiveness is presented. Data on 375 employees from 3 hospitals are used to examine the relationships between recruitment sources, turnover, and performance. The results reveal that employee referrals are one of the more effective recruitment sources for hospital staff.

INTRODUCTION

High turnover rates among hospital staff place an emphasis on retaining quality employees. If the replacement of staff is difficult, then it is important for hospitals to attract and hire people who are likely to remain and perform well on the job.

A great deal of attention has been devoted to the causes of turnover among staff in hospitals. Causes have been sought in the task design and incentive structures of hospitals [10], in the perpetual and judgmental processes of individuals [11] or in hospital personnel policies [12].

One factor affecting hospital turnover has not been examined, even though it involves actions which are relatively easy for the hospital to change in a more effective direction. This factor is the method by which staff are recruited by hospitals. The assumptions behind this factor are two mutually-supporting arguments. One is that different employee recruitment channels select for different kinds of employees, and this is reflected in turnover, and possibly in performance differences. A second argument is that some recruitment sources represent a more realistic job preview than others [9], and realistic job previews contribute to reduced

turnover [16] and indirectly to increased performance because of reduced dissatisfaction.

LITERATURE REVIEW

There is a fairly well-developed research stream that looks at the connection between recruitment sources, on the one hand, and turnover and performance on the other.

Gannon [4] conducted one of the first studies on recruitment sources and employee turnover. His sample included 6,390 bank employees hired between 1961 and 1964. He found that four sources of referral were predictive of stable employees: high school referrals, individuals referred by present employers, rehires, and others (primarily walk-ins). Gannon [4] also found that hiring agencies and newspaper advertisements were predictive of unstable employees.

In an attempt to test the generalizability of earlier findings, Decker and Cornelius [3] examined the personnel action records of 2,466 employees from three different organizations, an insurance company, a bank, and a professional abstracting service. In summary, they found that employee referrals were

consistently a good recruiting source and employment agencies were consistently a poor recruiting source.

Utilizing the work of Decker and Cornelius [3] and Gannon [4] as a base, Breagh [2] studied whether the source by which an individual was recruited was related to employee performance, absenteeism, and work attitudes. Breagh's [2] sample included 112 research scientists doing applied research in a midwestern organization. His data supported the notion that the source through which an employee was recruited was strongly related to subsequent employee performance, absenteeism, and work attitudes. Specifically, he found that individuals recruited through college placement offices and newspaper advertisements were inferior in performance to individuals who sought out the company on their own initiative or through a professional journal/convention advertisement. Breagh's [2] analysis of absenteeism and recruitment source revealed that employees recruited through newspaper ads had considerably higher absenteeism rates than employees recruited via any other sources. Taken together, Breagh's [2] results showed that college placement offices and newspaper ads were poorer recruiting sources than were journal/convention ads and self-initiated contacts.

In a study of 293 employees hired by a midwestern packaging plant for seasonal work, Taylor and Schmidt [7] found that recruitment sources differed significantly in effectiveness with regard to tenure and absenteeism. They also discovered that the recruitment sources tended to differ with respect to employee performance. However, unlike previous studies [3, 4, 5, 8] employee referrals failed to emerge as one of the more effective sources. In the Taylor and Schmidt [7] study, employee referrals may have been found to be ineffective because of monetary payment given to current job holders for referring job candidates who were subse-

quently hired by the company. Taylor and Schmidt found that rehires tended to have longer tenure and were rated as better performers than employees recruited through other sources.

None of the subjects studied was a hospital employee, and in only one study were the subjects professional workers. Consequently, the generalizability of results to hospitals is not firmly established. For one thing, recruitment sources may not be comparable across industries.

BACKGROUND OF PARTICIPATING HOSPITALS

All three hospitals participating in this study are small town hospitals in Western Pennsylvania, each with less than 200 beds. Further, all 3 hospitals are less than 100 miles from a major metropolitan area, Pittsburgh, Pennsylvania. Unemployment rates in each of the three local labor markets tend to run about one to two percentage points above the national average.

Recruitment sources at the three hospitals varied mostly by the type of job being filled. Dietary, housekeeping, and maintenance jobs were filled through relatively low-cost, non-selective sources such as walk-ins, employee referrals, and the public employment agency. Nursing vacancies were filled through a scholarship program to encourage nursing education, through internships and through contact with nursing schools, all sources involving proactive efforts on the part of the hospitals. Administrative, technical, and professional jobs are often filled by executive search firms, internal promotion, or ads in professional journals or regional newspapers.

Before the study was conducted, two out of the three personnel directors considered walk-ins to be the most effective recruitment source. In no case was employee referrals considered to be a preferred source of high-quality

employees.

NATURE OF SAMPLE AND DATA COLLECTION

For two of the hospitals, all employees, except temporaries, hired from January 1983 to, and including, May 1986 were included in the sample. The third hospital's sample included all employees, except temporaries, hired from January 1983 to, and including, August 1986.

The personnel record of each employee was used to collect recruitment source information and other pertinent personnel data, such as the employee's overall performance rating, educational attainment, sex, race, job title, and employment status. In total, the sample consisted of 375 employees; 157 employees were from Hospital "A," 80 were from Hospital "B," and 138 were from Hospital "C." The vast majority, 86.4% of the total, were females and only 6 or 1.6% were non-whites.

Similar to previous studies [3, 4], quit rates were determined by counting an employee as a "quit" if he/she was no longer an employee of the hospital 12 months after his/her date of hire. Otherwise, the employee was counted as "working." No attempt was made to distinguish between voluntary and involuntary terminations.

ANALYSIS OF RESULTS

Table 1 depicts quit rates for each of six recruiting sources. The chi-square analysis shows that recruitment source is significantly related to the quit rate ($p \leq .05$). Specifically, the "other" recruiting source, which includes visits to technical schools for LPNs, a scholarship program for RNs with a guaranteed job upon graduation, rehires, and placing an ad with a professional association has the lowest quit rate, 14.5%. Employee referrals is the

only other source with a quit rate of less than 20.0%. Although the high school/vo-tech recruitment source had the highest quit rate, its sample size is very small. The college/university and public employment agency sources also have rather high quit rates, but their sample sizes are significantly larger than the high school/vo-tech source. The overall quit rate for all three hospitals in this study is 26.1%.

Quit rates by occupational category are depicted in Table 2. Other professionals and administrators have the lowest quit rate, 19.1%. This category includes physical therapists, department directors, unit coordinators, and social service workers. On the higher end, maintenance mechanics, clerks, secretaries, and medical technicians all have quit rates of 30.0% or higher.

Using the chi-square test, source of recruitment differences for performance ratings also were found. Each employee's performance was evaluated using a scale of 1 to 5, with 1 representing outstanding performance and 5 representing unsatisfactory performance. Employees recruited through employee referrals not only had the second lowest quit rate, but they were superior in performance to employees recruited through any other source ($p \leq .01$). On the other hand, employees recruited through public employment agencies were inferior in performance to employees recruited through newspaper ads, walk-ins, and "other," in addition to employee referrals ($p \leq .01$).

For RNs, the best recruiting sources in terms of quit rates were employee referrals and walk-ins; the worst source with a 40.0% quit rate was college/university visitations. The best source for recruiting LPNs was employee referrals followed by "other." Whereas, LPNs hired through walk-ins experienced the highest quit rate, 31.3%. While the overall quit rate for LPNs is the second lowest, it should be

TABLE 1
QUIT RATES BY RECRUITING SOURCE

<u>Recruiting Source</u>	<u>Quit Rate</u>
High School/Vo-Tech	50.0%
College/University	38.5%
Public Employment Agency	33.9%
Walk-Ins	29.9%
Newspaper Advertisements	28.0%
Employee Referrals	19.0%
Other	14.5%

$$X^2 = 12.62$$

$$p \leq .05$$

TABLE 2
QUIT RATES BY OCCUPATIONAL CATEGORY

<u>Occupation</u>	<u>Quit Rate</u>	<u>n</u>
Maintenance Mechanics	37.5%	8
Clerk/Secretaries	32.2%	59
Medical Technicians	30.0%	30
Housekeeping and Dietary Workers	29.7%	74
RNs	24.3%	107
LPNs	19.7%	71
Other Professionals and Administrators	9.1%	22

noted that the loose or unfavorable regional labor market for LPNs will work to lower their turnover. Simply put, fewer job opportunities are available for LPNs.

The public employment agency was used primarily to recruit clerk/ secretaries and housekeeping personnel. Quit rates for both of these groups recruited through the public employment agency were 38.9% and 33.3%, respectively. Also, clerk/secretaries recruited via walk-ins had a relatively high rate, 38.1%. Other professionals and administrators, which included

department directors, social service workers, and physical therapists, among others, were most effectively recruited through major metropolitan newspapers in the region and "other."

SUMMARY OF FINDINGS AND DISCUSSION

As with other studies [3, 4], employee referrals are found to be one of the more effective recruiting methods in terms of turnover and performance.

This finding is contradictory to the assumption of the personnel managers that walk-ins were the best source.

Job applicants referred by current employees are likely to receive more accurate and complete information about job vacancies than employees recruited through college placement offices and newspaper ads. If a realistic job preview is given, then turnover can be reduced by allowing job candidates to reject job offers that would not meet their needs and by lowering their expectations about job conditions and increasing their ability to deal with unpleasant job demands [7].

Current employees also are apt to prescreen individuals before they refer them to the organization. In part, this may be due to current employees not wanting to be embarrassed by referring poor performers to their organizations. Current employees may be concerned that poor performance by employees they referred will reflect negatively on them.

A third explanation is that employees

referred by current employees are more likely to be settled, permanent members of the community than are employees from other recruiting sources. Hence, they are less mobile, generally, and therefore less likely to leave the job.

Before concluding that employee referrals are best, be advised that an organization may have to use other recruiting sources to comply with equal employment opportunity legislation. Sole reliance on employee referrals may lead to charges of discrimination by protected minority group members. In particular, if protected class members are underrepresented on the payroll compared to their availability in the labor market, using employee referrals as the only recruitment source may serve to worsen the underrepresentation. This does not negate the use of employee referrals, but rather indicates that more aggressive recruitment methods should be used in conjunction with referral.

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