Are Sign-on Bonuses an Effective Nursing Recruitment and Retention Strategy?

There is a significant nursing shortage in the United States, and few healthcare facilities have been immune to this phenomenon. Clearly, multiple strategies and innovative options must be developed to address this serious nursing issue. In my opinion, a well-designed flexible sign-on bonus program is one effective strategy to recruit high-quality registered nurses. Once they join an excellent healthcare team, the professional environment is an incentive to stay. Through effective strategic recruiting and planning, nursing leadership teams can successfully reverse a previously negative trend for recruiting, and more importantly, retaining RNs.

My facility currently employs 428 RNs to staff its 325-bed acute care facility. There are only 20 vacancies (6% vacancy rate), and we have virtually eliminated use of agency nurses, but this was not always the case. Several years ago, we had a 40% turnover rate, with a vacancy rate approaching 20%, and had 80 agency nurses on staff. Between July 1999 and December 2000, however, we used a recruiting strategy primarily based on a lucrative recruiting sign-on bonus of $12,500. The bonus was disbursed as $5000 upon hiring, with the remainder distributed over a period of 36 months. Unfortunately, most RNs recruited under this plan did not remain with the organization, and turnover rates were extremely high in the 6 months following the initial disbursement. This plan resulted in RNs joining the staff simply for the financial incentive, without a stake in the success of the organization or support of the hospital’s mission and vision.

Subsequently, we developed a recruiting strategic plan (referred to as the “Recruiting Cafeteria Plan”) that continued to use a sign-on bonus, but not exclusively. It now emphasizes employee retention and organization mission. The strategic plan involves a new compensation structure, behavioral-based interviewing, increased local and regional graduate nurse recruiting, and a sign-on bonus with a “back-loaded” disbursement structure. RNs are given the opportunity to select one of the programs from the Recruiting Cafeteria Plan; these include employer-assisted housing, rental assistance, sign-on bonus, internship or short-term employment agreements. Relocation assistance up to $3000 is included. Sign-on bonuses range from $5000 to $7000 depending on other aspects of the plan that are chosen. If one of the plans with the sign-on bonus option is selected, the payments are distributed at 90 days, and again at 12, 24, and 36 months (as opposed to initially upon hiring). As another option in the cafeteria plan, we continue to participate in a collaborative venture with Fannie Mae, which assists RNs with down payment and closing costs in the purchase of a new home in the community. To date, this program has assisted 12 RNs, of which 11 remain employed with us. Conceptually, the employee has community ownership as a result of purchasing a home in the community in which he/she is employed. Rental assistance programs include a lease deposit of $500 and $200 per month for 1 year. Deposits for utilities (water, electricity, and gas) up to $200 can also be provided. Payments for a week of temporary housing while locating property to purchase or rent are also offered. New graduate nurses who are recruited from outside the region are provided housing for the first 90 days.

The components of the plan are designed to make it easier to relocate to our community, and decrease the burden of finding housing immediately before exploring the community and having the ability to choose a more permanent place to live. In addition to long-term recruitment strategies, we also developed an innovative approach to fill other vacancies. The “Winter Texan RN” program was designed to attract experienced nurses to commit to a 13- to 26-week contract. The Winter Texan nurses are provided housing for the length of their contract and a significant hourly wage.

Our recent data indicate this new approach to identifying and recruiting RNs has resulted in a substantial decrease in RN turnover and vacancy rate. Based on the overwhelming success of our program, I would have to say that sign-on bonuses as part of a comprehensive recruitment strategy can work quite well. A facility with excellent healthcare and a professional work environment will contribute to retention of recruited nurses long after the sign-on bonus period has elapsed.

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In my opinion, the single most important factor in retention is recognition. Recognition occurs as the leadership team publicly acknowledges and rewards contributions that individual nurses make to patient care and teamwork. The sign-on bonus is an expensive, short-lived tactic to “fill slots.” Retention of high-quality, high-performing, and satisfied nurses makes more professional sense as a long-term effective strategy for promoting a positive patient care and nursing environment.

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Sign-on bonuses are costly for hospitals, and there is no evidence that this practice offers positive and long-lasting benefits. In my opinion, the practice of offering a sign-on bonus is, at best, a paradoxical nursing recruitment tool. We shouldn’t need to pay nurses simply to come to work at our hospitals. The sign-on bonus is an ill-conceived practice to avoid fixing the real problems in recruitment and retention of a highly qualified nursing staff. Rather, we should promote and support a culture that values nurses and the contribution they make as an integral part of the healthcare team.

Many of those who leave their job do so because they don’t feel valued and appreciated. Most employees leaving jobs report dissatisfaction with management and leadership. Leaders create the culture for an organization. Historically, hospitals have been hierarchical, “top-down” authoritative structures with oppressive rules and regulations for conduct, behavior, scheduling, dress, clinical practice, and attendance. These negative practices create a culture of distrust and erode morale among nurses. In this environment productivity declines and there are negative implications for both nurse and patient satisfaction. Eventually, as things deteriorate, nurses and patients go elsewhere for care. As things deteriorate, nurses and patients go elsewhere for care. Eventually, dissatisfaction with management and leadership. Leaders create the culture for an organization. Historically, hospitals have been hierarchical, “top-down” authoritative structures with oppressive rules and regulations for conduct, behavior, scheduling, dress, clinical practice, and attendance. These negative practices create a culture of distrust and erode morale among nurses. In this environment productivity declines and there are negative implications for both nurse and patient satisfaction. Eventually, as things deteriorate, nurses and patients go elsewhere for employment and care.

More efforts should be devoted to retaining excellent employees. A recruitment bonus is quickly spent, and just as quickly forgotten. Often, the initial payment is spent before orientation and socialization into the patient care team is completed. Meanwhile, resentment about the bonus by more tenured nurses is common. Thus, instead of promoting a loyal workforce, sign-on bonuses can actually have a negative effect on morale.

In place of the recruitment bonus, in my opinion, the following five strategies are more effective in sustaining an excellent nursing workforce over time. (1) Create a culture where nurses are valued for being caring, intelligent, trustworthy, disciplined, motivated professionals. (2) Develop, promote, and support an organizational philosophy of shared governance. (3) Allow nurses to direct and control their clinical practice where nurses and physicians interact as professional, respectful, and equal colleagues not just in the clinical setting but as members of hospital committees where decisions regarding patient care are made. (4) Encourage nurses to take responsibility for planning and producing their own work schedules. (5) Encourage and support nurses in critical performance improvement and patient safety activities. Through these five strategies, eventually every nurse becomes a leader and promotes your hospital as “the” place to work. Rather than compensate applicants just to join your hospital staff, consider retention bonus strategies. Demonstrate to a loyal, tenured workforce that they are respected, valued, and critical to the continued success of your hospital.

At my institution, the Human Resources Department has instituted “stay interviews.” On a regular basis, the department director interviews nurses who “stay” for 5, 10, 15, or more years. A series of open-ended questions are used that allow current nurses to tell administrators why they chose to remain, what the leadership team could do better, what inhibits their practice, and what enhances longevity. There continues to be overwhelmingly negative responses to sign-on bonuses by our nurses. Instead, suggestions are consistently made for enhanced compensation for the most competent and tenured nurses. Recently, the clinical ladder was expanded to four levels. The registered nurse who advances from novice to expert, from Clinical Nurse I to Clinical Nurse IV, has an economic potential of 5% to 20% increase in salary. Our nursing turnover is an astounding low 8%.

Satisfied nurses who recruit others to work at the hospital can be given a “sign-on” bonus to acknowledge their recruiting efforts. Our data has shown that our employees are our largest single recruitment source. We rarely post job advertisements in the newspaper.

In my opinion, the single most important factor in retention is recognition. Recognition occurs as the leadership team publicly acknowledges and rewards contributions that individual nurses make to patient care and teamwork. The sign-on bonus is an expensive, short-lived tactic to “fill slots.” Retention of high-quality, high-performing, and satisfied nurses makes more professional sense as a long-term effective strategy for promoting a positive patient care and nursing environment.

September/October 2003