



# Return on investment (ROI)

## Evidence for investing in nursing

### COST OF NURSE TURNOVER

**The cost of nurse turnover is 1.2 to 1.3 times the annual salaries of registered nurses.**

#### *Background*

In a two-part study, Jones (2004 and 2005)<sup>1,2</sup> used the economic theory of human capital to describe and calculate the cost of nurse turnover. Human capital consists of the knowledge, skill and abilities that people possess. Individuals acquire human capital when they invest time or money to obtain higher education, training and job experience. Organizations acquire human capital when they invest in their employees (e.g., hiring, training, competitive salaries), and they lose human capital when employees leave their jobs. According to this theory, the costs of nursing turnover encompass pre-hire costs of recruiting applicants for open positions, handling vacancies, and hiring new nurses as well as post-hire costs associated with orientation and training of new employees, the lower productivity of new employees during their learning curve, and termination. In a retrospective study at a 600-bed hospital, nurse turnover costs were calculated to be 1.2-1.3 times the average annual salary of registered nurses in the hospital. Jones commented that additional factors that were not investigated in these studies may also be affected by turnover (quality of care, patient safety and satisfaction, staff safety and satisfaction, organizational productivity and performance).

#### *Bottom Line*

- Nurse turnover is costly and negatively affects the budgets of health-care organizations.
- The opportunity cost of nurse turnover is a highly trained and experienced workforce, workplace stability, and productivity.
- Investing in quality work environments and registered nurse retention could yield a competitive advantage by having a stable, productive and satisfied nursing workforce.

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<sup>1</sup> Jones, C. B. (2004). The costs of nurse turnover, part 1: An economic perspective. *Journal of Nursing Administration*, 34 (12), 562-570.

<sup>2</sup> Jones, C. B. (2005). The costs of nurse turnover, part 2: Application of the nursing turnover cost calculation methodology. *Journal of Nursing Administration*, 35 (1), 41-49.