

Business Case for Ethical Recruitment

Franklin A. Shaffer, EdD, RN, FAAN, Mukul Bakhshi, JD, and Esther M. Kim, MSN, RN, CNRN



In the last few years, the supply of nurses in the United States has outstripped demand. The recession resulted in delayed retirements, lower

turnover, less hiring, and more layoffs. For nurses coming from abroad, retrogression—a restraint of visas—led to a virtual freeze of recruitment.

The paradigm of recruitment has changed dramatically since 2009, and even since 2013. Although the days of widespread nurse shortages during the last boom in recruitment—in 2006 and 2007—have not returned, evidence of shortages is beginning to appear. In California, for example, a survey of nurse employers showed that 68% of hospitals believed there was a nurse shortage in the

state, and 18.4% reporting high demand compared with 8.6% in 2013.¹ The US Department of Health and Human Services produced a report in December 2014 from Health Resources and Service Administration that projected a slight surplus of nurses across the nation with 16 states expected to have a shortage by 2025—with 10 of them in the West.²

These figures assess the overall nurse workforce. Depending on geography, experience, or specialization, certain nurses are in higher demand. All of this means that that human resources professionals, recruiters, and nurse leaders must think more robustly about how to recruit—and retain—effectively in a more competitive market for nursing talent. Of course, pay, benefits, and working conditions are a primary driver of employment decisions. But nurse leaders and human resources executives should also be looking to examine their recruitment policies. The concept of “ethical recruitment” is emerging—some prefer to pay lip service to the concept to preempt or assuage criticism. Yet ethical recruitment is so much more—it can be a way to ensure that well-educated, qualified, and satisfied workers are enabled to deliver value for their organizations. Ethical recruitment practices can improve the bottom line by reducing turnover and recruitment costs, reducing legal exposure, and improving patient and employee satisfaction.

THE IMPORTANCE OF ETHICAL RECRUITMENT IS IMPACTED BY GLOBAL MARKET DYNAMICS

Ethical recruitment involves attracting employees to a company or position in a manner that is fair and transparent to all parties involved. It involves taking some responsibility for the results of the relationship between the parties.

In foundational economics and free market orthodoxy, the principle of freedom of contract would suggest that any agreement consensually agreed to by two competent parties would be reasonable. However, two significant issues prevent such recruitment from working efficiently: power imbalance and information asymmetry.

Power imbalance describes the inherent disparity in power between employer and employee—because employees often “need” the job, they have limited leverage to bargain as equals with their employers, who can likely find many applicants for a position even in tight labor markets. Information asymmetry describes the difference in knowledge about the job, location, benefits, work conditions, or other factors between the recruiter and the recruited individual.

These structural issues are exacerbated by the agency problem—recruiters are generally evaluated or incentivized for filling a role, not for ensuring potential employees’ expectations are aligned with the working conditions they will encounter. From a practical perspective, moreover, with increased reliance on temporary staffing, the exact conditions employees encounter may vary as well.

All these issues apply to all types of recruited employees, but are exacerbated in the context of foreign-educated health professionals (FEHPs) migrating to the United States. Recruitment fees in the thousands of dollars are sometimes borne by workers. Even in the more standard cases, recruiters often impose “breach fees” for failing to fulfill the contract if FEHPs choose to leave their commitments (often 2 or 3 years) early. Although breach fees are legitimate in regard to preventing gaming of the system and limiting recruiters’ exposure to upfront costs during the process, the ultimate result is that some FEHPs are unable to leave hostile or unde-

sirable work environments because they fear the consequences. Issues beyond the recruitment process make foreign-educated professionals particularly vulnerable. Employment-contingent visas restrict workers’ mobility. Given the pay disparities between the United States and many source countries for nurses, the need to keep jobs is even more acute. In 2014, a survey conducted by Pittman et al.³ assessed the perceptions of foreign-educated nurse satisfaction upon migration. Results revealed 40% of foreign-educated nurses “perceived their wages, benefits, or shift or unit assignments to be inferior to those of their American colleagues.” Ultimately, regulatory remedies are often not forthcoming; employers resist liability for the actions of subcontractors they don’t control, and recruiters can shirk accountability due to jurisdictional issues between source and recipient countries of foreign-educated nurses.

THE EMERGENCE OF CORPORATE SOCIAL RESPONSIBILITY CONVERGES WITH VOLUNTARY INITIATIVES

Ethical recruitment is a key component to magnify focus and emphasis on “corporate social responsibility.” Corporate social responsibility involves companies assessing and taking responsibility for their impact on the environment and social welfare. Although adherence to the law and applicable regulations is still the central driver of compliance functions, corporate social responsibility sets a higher bar for how the company behaves in society. Although the concept has been around since the 1960s, it has become increasingly present in the last few years. A KPMG study, a global network of accounting firms headquartered in London, demonstrated that one-third of its top-performing businesses publicly report on their efforts to conduct their activities in a socially responsible manner.”⁴

Moreover, in the nursing sector, the boom in international recruitment in the first decade of the 2000s prompted analysis of questionable recruitment practices that ultimately evolved into guidelines regarding ethical recruitment. In 2006, AcademyHealth produced a study evaluating the experiences of foreign-educated nurses migrating to the United States. A combined analysis of CGFNS International Inc.’s VisaScreen credential applicants and foreign-educated nurses’ NCLEX scores illuminate increasing numbers of foreign-educated nurses filling vacancies in US healthcare facilities. Projections at the time assumed that the trend would continue unabated, as demonstrated by a 2006 CGFNS market survey of recruiters in which 74% expected to increase their international recruitment in 2007.⁵ In addition, to capitalize on this labor flow, the presence of international recruitment firms was increasing; as recently as the late 1990s, between 30 and 40 US-based companies were active in nurse recruiting. Less than a decade later, the number of companies in the market ballooned—the study identified at least 267 US-based international nurse recruiting firms.⁶

With most stakeholders and observers anticipating increasing reliance on foreign-educated nurses, the AcademyHealth report’s multifaceted exploration of foreign-educated nurses’ experience highlighted the problems faced by these vulnerable

workers. Abuses included coercion, not permitting recruited individuals to review contracts, and unfair terms. Onerous contract terms and high “breach fee” clauses served to trap workers in job positions with poor working conditions or benefits. Recruiters and employers often failed to meet their obligations; bait-and-switches in terms of location and staffing models were common. Finally, foreign-educated nurses were often subject to lower pay—up to 25% less than their US peers even though federal visa requirements often require that immigrant workers be paid the prevailing market wage—and less desirable assignments.⁶ The precursor to the Alliance emerged; this project started with the collection of this baseline data to devise basic guidelines for US recruiters to become familiar with standards that abide to legal practices.

With the baseline determination that foreign recruitment of healthcare professionals would increase, and these workers faced a host of problems due to unethical and exploitative recruitment and employment practices, the next step was to develop “standards of practice” to ensure ethical recruitment. A multistakeholder task force was charged with developing these standards. The group encompassed hospitals and employer, labor, nurse education and licensure organizations, foreign nurse professional associations, and recruiters overseen by senior government officials. This collaborative effort emerged from the “ground up,” and reflected the common ground that could be found amongst stakeholders working in these sectors.

The result of that effort was consensus on the *Voluntary Code of Ethical Conduct for the Recruitment of Foreign-Educated Health Professionals to the United States*.¹ The Code was divided into two sections: Part I established minimum standards for employers and recruiters including commitments to adhere to applicable US laws, to communicate transparently, and to impose reasonable and ethical contractual provisions; Part II established aspirational best practices to protect the right-to-labor autonomy of foreign-educated nurses while acknowledging and mitigating the harms to source country’s healthcare systems caused by the migration of nurses. To promote and enforce the voluntary Code, the Alliance for Ethical International Recruitment Practices was established. In addition to enforcing the Code, the Alliance engages in outreach activities to educate foreign-educated nurses about their rights (both pre- and post-migration). These activities serve to raise awareness among nurses, executives, and the media about the issues endemic in recruitment practices. Although the focus of the Alliance was on foreign-educated nurses, many of the issues apply to domestic nurses as well. Recently, the issue of ethical recruitment has come on the radar of a broader array of staffing companies and nurse leaders. When CGFNS, a credentials evaluation and verification organization, acquired the Alliance in 2014, its mission demonstrated the goal of strengthening the means to fair, transparent, and ethical recruitment in serving the global healthcare community.

At the international level, the World Health Organization (WHO) developed a voluntary framework, titled the WHO Global Code of Practice on the International Recruitment of Health Personnel in 2010. The Global Code addresses human resources for health by adopting guidelines of ethical recruitment as well as other issues involving nurse migration for both source and destination countries. With 193 member countries signing on to the Code, along with the requirements for countries to report on their efforts in compliance and advancing the Code, there is now an institutional framework to advance WHO Code compliance.

Endorsement of ethical recruitment at the institutional level is coupled with a growing awareness of human trafficking issues. Though human trafficking stories often arise in the context of the most vulnerable migrants—many of whom are low-skilled—the result has been growing awareness about the problems that arise to fulfill the labor needs of high-income countries.

ETHICAL RECRUITMENT PROMOTES NURSE RETENTION, POTENTIALLY IMPROVING PATIENT OUTCOMES

Nurses are the only group of health professionals with direct patient contact throughout the entire duration of a patient’s hospital stay. There has been a substantial amount of research indicating the significance of sustaining a satisfied workforce, including the risk of increased errors due to understaffing. Nurse-to-patient ratios determine healthcare outcomes⁷; thus, the retention, and development, of nurses play a crucial role. As the FEHP enters this environment, this individual must be provided the resources to adapt to cultural variances, new technologies, and hospital policies. Ethical recruitment of nurses ensures these provisions are warranted for the ultimate purpose of safe and effective patient care.

Nurse dissatisfaction influences more than direct patient-provider relationship. Dissatisfaction in the workplace generally emanates from systemic barriers, such as demanding working conditions or weak administrative support. Among the large sample of nurses in direct care, McHugh et al.⁸ found that 36% and 47% of nurses in hospitals and nursing homes, respectively, reported they realized they were unable to notice critical changes in patient status because of their demanding workload; this is an alarming risk for patient safety. Another fascinating study conducted in New York state revealed the effect on patient care when nurses were on strike—19.4% increase in-hospital mortality and 6.5% increase in 30-day readmission rates.⁹ Nurse burnout and lower productivity prompt nurses to leave the workforce, contributing to the forecasted nursing shortage.

The effects of inadequate staffing lead to scheduling conflicts, which inevitably create increased costs for the hospital administration. A centralized scheduling model structured to manage nursing shifts across multiple departments within a hospital showed a decrease of labor costs by 10.7%, while lowering overtime costs by 80%.¹⁰ An investment in fostering nurse satisfaction limits turnover rates and minimizes administrative costs to maintain a safe nurse-to-patient ratio.

¹The Code was expanded to include “Health Professionals” instead of “Nurses” in 2011.

Improving retention of nurses may not appear to be an initial cost-saver, but the opportunity costs demonstrate benefits in a dynamic workforce.⁷

The dilemma nowadays focuses on reducing healthcare costs through outcomes-based compensation. We recognize that prevention is cost-efficient in the long run—in the form of promoting wellness, not only in treating disease. Quality nursing care in the community is demonstrated in the form of indirect revenue generation.

Although nurse residency programs are particularly robust, research on the effectiveness of such programs provides evidence that training for the cultural and clinical integration of nurses is cost-effective. Habermann and Stagge¹¹ suggest that a foreign-educated nurse requires about 10 years to assimilate into their new environments. Consider the administrative costs required of the employer to initially on-board, precept, and provide necessary resources for integration: for example, a current nurse residency program is estimated to have drastically reduced “labor rates from \$19,099 to \$5,490 on per average day.”¹² These expenses are substantial in order to effectively prepare the FEHP to adjust to the professional responsibilities and receive guidance—similar to a recent graduate—in a new workplace. Research demonstrates significant impact on nursing development as a whole when additional engagement has been provided to support and retain competent nurses upon employment.¹³ Ethical recruitment encompasses, not only professional coaching, but also the tools for social integration. The logical response to the retention challenge would be to redirect administrative costs that arise from responding to high turnover to provide professional integration for FEHPs so they are more willing to stay—and more likely to succeed—in their roles.

The costs of adopting and ensuring compliance with ethical recruitment practices may be an obstacle for some employers. However, these pale in contrast with the alternative. Although employers bear some of the costs of problematic recruitment along with employees—higher turnover and lower productivity, for example—they largely do not benefit from unethical recruitment. Onerous fees and policies primarily help recruiters with a short-term interest in placing employees, not the employers who want engaged workers to feel empowered and valued in the workplace.

NURSE LEADERS RECOGNIZE ETHICAL RECRUITMENT AS A COMPETITIVE DIFFERENTIATOR AND BRAND ENHANCER

Reducing turnover and empowering nurses to do their jobs effectively are benefits that accrue to all stakeholder groups in a healthcare setting—nurse colleagues, human resources, physicians, and most importantly, patients. However, ethical recruitment contributes to other benefits, too.

In our increasingly diverse society, the importance of “cultural competence” in the healthcare setting is becoming more important. Hospitals, in particular, highlight diversity in the form of gender, ethnicity, and experience upon recruiting and hiring. Ethical recruitment practices foster diversity because they ensure that the outreach captures a wide pool of

qualified applicants who have the appropriate education to effectively serve all types of patients.

Moreover, ethical recruitment practices can promote an organization’s reputation. David Arkless from the International Business Leaders Forum states, “A strong reputation based on fair policies can help attract and retain good employees.”^{14(p.3)} Reputable conduct has several benefits. First, retaining strong employees saves money on recruitment and on-boarding costs, and ensures that employees are able to leverage their expertise and experience. Second, the reputation as a good, fair place to work attracts more applicants to a given position; this strengthens the ability to recruit the best talent. Third, this top talent can provide better care to patients, creating a virtuous cycle of improvement throughout the organization. This, of course, furthers an institution’s reputation, attracting potential clients, and the possibility to garner formal recognition from certification bodies.

As ethical recruitment emerges for human resources organizations, one of the key motivators is avoiding criticism from labor, industry, or the media. Although avoiding criticism is certainly a major consideration, a defensive posture limits the benefits from ethical recruitment.

People are the drivers of most organizations, and this is particularly true in the healthcare sector. Ethical recruitment engenders higher morale. Ethical recruitment can be a positive attribute that leads to higher-quality nursing, better patient outcomes, and monetary savings. As the realities of healthcare unravel patient care that becomes increasingly more complex, satisfied and well-educated workers are better able to address these issues.

CONCLUSION

Effective nurse leaders must assess the importance of their workforce in addressing the changes in their institutions and the nursing profession. Ethical recruitment provides an established conceptual framework to evaluate whether those employees are being treated fairly, whether expectations about working conditions are aligned, and whether they have the tools, skills, and education to provide the care in proper manner. By doing so, it ensures that the value employees can create is captured so that institutions can focus on patient care rather than remedying problems arising from inadequate education and on-boarding or the human resources costs from high turnover. In essence, the emergence of ethical recruitment as a concept on the radar of executives is not simply an issue to be assigned to a human resources analyst to consider in the context of avoiding criticism; rather, it is an opportunity to evaluate recruitment practices in a more holistic way to ensure that the right workers are serving in the right roles. **NL**

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Continued on page 48

Business Case for Ethical Recruitment

Continued from page 43

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Franklin A. Shaffer, EdD, RN, FAAN, is chief executive officer at CGFNS International Inc. in Philadelphia, Pennsylvania. He can be reached at fshaffer@cgfns.org. Mukul Bakhshi, JD, is director for CGFNS Alliance for Ethical International Recruitment Practices. Esther M. Kim, MSN, RN, CNRN, is a research associate at CGFNS International.

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