



Per Diem Compensation Policies

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This paper summarizes findings from a survey and research on per diem compensation policies. The survey was conducted through the New England Compensation Consortium and includes responses from eight organizations.

Background

Per Diem is a commonly used terminology to describe workers who are experienced, trained in the organization's process and procedures but do not work a regular schedule. They work on a day-by-day basis and fill in when the organization needs help, such as when regular employees are not able to work as scheduled, when regular employees are taking scheduled time off, or when more staff is needed to handle the workload due to a sudden increase in patients, etc. Healthcare facilities tend to have more of this type of reserve staff who are available to fill in due to the 24 hours/day, 365 days/year care hospital systems provide to patients. Other employers use per diem employees because of fluctuations in business needs for employees with specialized skills.

From the employee's perspective, this type of arrangement is attractive, because they may have more choices and flexibility in working. An employee may work at several organizations and have enough work hours to meet their needs. Generally these employees tend to have other sources of regular income and benefits to meet their daily needs. From the employer's point of view, it is more cost effective than using temporary agencies and employees have the regular exposure and knowledge of their organization.

Compensation Philosophy and Policy

In our research of compensation philosophies and policies of per diem employees, we found there was not one consistent practice in how to pay per diem employees. The type of policy an organization chooses should be based on business and talent needs – the ability to serve patients in a cost effective and quality manner and the ability to attract employees to per diem positions without the detriment of creating a shortfall of regular employees.

One compensation perspective is that these employees tend to receive a higher rate of pay compared to regular employees because they are not receiving benefits. This is sometimes difficult to determine because regular employees are paid a range of pay based on experience, service or performance. Therefore a differential may be used to distinguish between the two, such as 10%, similar to a geographic differential.

Another perspective is that employees with satisfactory personal income and benefits situations actually favor these arrangements and may want to leave regular employment for the per diem lifestyle. In this situation the organization does not want to create an incentive for employees to leave regular employment for per diem. This would result in additional costs to replace them as regular employees. In

this case, differentials are not offered but the rate of pay for regular employees are used as the basis for per diem compensation.

Also, with the consolidation taking place in the healthcare industry, there may be more than one type of organization, for example, hospital, home health and long term care under one organization. Or, the several hospitals in different geographic areas with legacy policies or workforces, for example, union and non-union employees. In these cases, the approach, policies and compensation rates could vary.

In other industries, former employees can fill critical staffing needs in hard to fill technical positions and where staffing levels fluctuate based on customer or program requirements.

Survey Questions

In our survey of per diem polices we asked the following questions. The answers are bolded.

1. Which of the following applies to how your organization establishes the rate of pay for per diem employees:
 - a. **Per diem employee pay is established using the same rate or pay range available to regular employees**
 - b. **Per diem employee pay is a flat rate of pay or a pay range separate from regular employees**
 - c. **Per diem employee pay is a differential added to what a regular employee would make**
 - d. **Other: please describe**

2. Which of the following applies to how your organization adjusts per diem pay rates:
 - a. **Same as regular employees**
 - b. Same as regular employees as long as a minimum number of hours have been worked in the last year.
 - c. The range of pay specific to per diems is adjusted at the same rate as the salary structure, when the salary structure is adjusted
 - d. **The per diem differential is reviewed and adjusted as needed**
 - e. Other: please describe

3. What is your industry? **Seven of the eight organizations are in healthcare, one is research and development.**

4. In general, what percent of your total employees are per diem? **<1%, 8%, 10%, 12.5%, 15%, 19%**

Summary of Findings

In establishing per diem rates, the responses were split between all four different categories. In three organizations, two different methodologies are used because the organization either consists of different sub-organizations from a merger or differences in union versus non-union. The more commonly used methodologies of the four is the flat rate or a different pay range than regular employees. Two organizations stated that former employees are their per diem workforce. One indicated there is a limit of 1,000 hours on how many hours per diems can work because of their pension regulations while the other requires a minimum of 288 hours per year.

In terms of adjusting per diem rates, the responses were split between two categories with the adjustments being made using the same policies as regular employees, such as performance review or

the per diem does not change/is reviewed and adjusted as needed. There is no need to require a minimum number of hours for an adjustment because per diem employees will be purged from the active list if they have not worked a minimum number of hours.

In conclusion, there is a split in practices between treating per diem employees like regular employees and offering a differential or different pay rate. There are different practices within the same organization in some cases, either based on union and non-union employees, different job types or different sub-organizations.

Participants

1. Cape Cod Healthcare
2. CharterCARE Health Partners
3. Cheshire Medical Center
4. Draper Laboratory
5. Fresenius Medical Care North America
6. Hebrew Senior Life
7. Franciscan Hospital for Children
8. UMass Memorial Medical Center