

COST OF TURNOVER IN THE DIRECT CARE WORKFORCE

Each time an employee leaves a job, expenses are created for the employer. The time required and costs to replace employees can be significant in occupations with high turnover rates, like direct care. Historically, direct care professionals have filled positions paying low wages, lacking benefits such as health insurance, and receiving employer-specific training again and again as they change jobs. These factors contribute to the higher-than-average frequency of workers leaving their jobs and the profession. The cost of turnover in the direct care workforce was examined in 2011 and updated in 2012 by the Iowa Department of Public Health Direct Care Worker Advisory Council to better understand the current and future impacts of turnover.

THE ESTIMATED COST OF TURNOVER IN IOWA'S DIRECT CARE WORKFORCE

It is estimated that **turnover of one direct care professional in Iowa creates \$3,839 in direct expense for the employer.** That puts the total estimated **turnover in the direct care workforce for 2011 at \$189,000,000, rising to \$193,000,000 in 2012.** The following table shows the estimated cost of turnover through 2014.

Projected Direct Cost of Turnover for Iowa

Year	2011	2012	2013	2014
Cost of Turnover (Millions)	\$189	\$193	\$198	\$209
Number of Direct Care Workers	66,786	73,214	75,570	78,009
Turnover Rate	64%	64%	64%	64%

WHY SO EXPENSIVE?

Direct turnover expenses include costs of the staff time and expenses associated with:

- separating a person from the employer
- covering the work during the vacancy through additional hours of regular staff or through a temporary placement
- recruiting, advertising, screening, interviewing, testing, physical exams and testing, reference checks, and criminal background checks for new job candidates
- training and orienting the new hire

Training is recognized as among the greatest direct costs associated with direct care worker turnover. Sometimes overlooked is the direct cost of increased worker injuries among remaining workers as they are stretched and stressed because of short staffing levels and changed working conditions.

As high as these estimated costs are, they don't even include the many indirect costs of turnover, which are certainly recognized but harder to quantify. Indirect costs include lower productivity by departing and remaining workers; reduced quality of services caused by lack of continuity, disruptions to relationships, and increased errors; lost revenues or reimbursement from fewer service hours due to staff shortages; lost clients and damaged community image; and decreased employee morale. While difficult to measure, research indicates that indirect costs are usually higher than direct costs.

WHY IT MATTERS

A direct care workforce with such high rates of turnover impacts the quality of care providers can offer to vulnerable Iowans. The high costs associated with turnover hurt these Iowa businesses, ultimately affecting the Iowans receiving care, taxpayers, and our state's economy. A degree of turnover is expected in direct care and may always be higher in parts of the industry due to the composition of the workforce, which includes students, temporary workers, and retirees. But as the largest workforce in Iowa, direct care professionals are key to our state's vitality, and investing in strengthening this workforce has far-reaching benefits.

SOLUTIONS UNDERWAY

Collaborative efforts by stakeholders, including employers and direct care professionals, to address recruitment and retention have determined that, in addition to wages and benefits issues, many who enter the direct care field are unprepared for the work. The Direct Care Worker Advisory Council has made recommendations for education standards, credentialing, and career pathways based on strategies proven to decrease turnover.

Development of a well-trained, capable workforce will help make direct care professionals more likely to succeed and remain in the field, reducing the cost of turnover. As part of the Direct Care Workforce Initiative, the education standards and credentialing recommended by the Advisory Council are being piloted in two Iowa regions. The new credentialing and training system, with its professional recognition and portable education, is expected to contribute to a more stable, qualified workforce and save the state and employers money. That also translates to better care for Iowans.

For more information, visit www.idph.state.ia.us/directcare

About These Estimates

The limited availability of data, lack of consistency in data collection methodology, and vast differences in turnover across the industry make direct care turnover difficult to examine. This report projects an actual turnover rate for one component of the direct care industry – Iowa nursing facilities. The Advisory Council, composed of diverse representatives, believes 64% is a fair average to use for turnover projections for the full spectrum of direct care service delivery, recognizing that some providers have a range between 20-30%, and others experience a turnover of 70% and higher.

For these estimates, the methodology used in the Better Jobs Better Care (BJBC) report, *The Cost of Frontline Turnover in Long-Term Care*, was adapted with Iowa variables. The size of the workforce used the estimated numbers of direct care workers from the Direct Care Advisory Council's March 2012 final report. The cost of turnover in Iowa for 2011 was calculated by multiplying the per-worker cost by 64% of the 2011 estimated workforce. Projections included an annual 2.4% inflation factor and the Iowa estimated employment figures.

Elements of Turnover Calculation	
Iowa 2009 Average Hourly Wage	\$10.45
Iowa Average Cost of Turnover per Worker (2011)	\$3,839
2011 Size of Iowa Direct Care Workforce	66,786
Iowa Average Annual Turnover Rate	64%
Iowa Annual Direct Cost of Turnover (Millions)	\$189

Sources

Iowa Direct Care Advisory Council. *Final Report*. Rep. Des Moines, 2012. Print. <http://www.idph.state.ia.us/directcare/>

Iowa Direct Care Advisory Council. *Interim Report to the Governor & General Assembly*. Rep. Des Moines, 2011. Print. <http://www.idph.state.ia.us/directcare/Council.aspx>

Iowa Department of Human Services. Iowa Medicaid Enterprise, Bureau of Long Term Care. *Analysis of Employee Turnover in Nursing Facilities Annual Report*. Comp. Charles Krogmeier. 2009. Print. <http://www.dhs.state.ia.us/docs/2-10NFEmployeeTurnoverHF2539.pdf>

Seavey, Dorie. *The Cost of Frontline Turnover in Long-Term Care*. Rep. Washington, DC: Better Jobs Better Care, 2004. Print. www.directcareclearinghouse.org/download/TOCostReport.pdf