

## 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 out-of-pocket costs paid to replace employees can be quite significant in occupations with high turnover rates. Historically, direct care professionals have filled positions paying low wages, lacking benefits including health insurance, and receiving employer-specific training again and again as they change jobs. These conditions 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 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 \$3,749 in direct expense** for the employer.

Using this Iowa cost per individual of \$3,749, the direct **cost of turnover in the direct care workforce for 2010 is estimated at \$117,000,000, rising to \$126,000,000 in 2011**. The following table illustrates the estimated cost of turnover through 2014.

#### Projected Direct Cost of Turnover for Iowa

Year	2010	2011	2012	2013	2014
<b>Cost of Turnover (Millions)</b>	\$117	\$126	\$133	\$140	\$148
<b>Number of Direct Care Workers</b>	48,927	50,416	51,957	53,551	55,200
<b>Turnover Rate</b>	64%	64%	64%	64%	64%

Direct 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;
- 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.

Not considered in the estimates above are indirect costs of turnover, which are certainly recognized, but are 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 most frequently higher than direct costs.

A common guide used across the U.S. to conservatively estimate the cost to replace a worker in any type of occupation is 25% of the employee's total annual income, including benefits. This figure yields an estimated cost of turnover that includes direct and indirect costs. If that guide is applied to Iowa's direct care professionals receiving the average wage, the total cost of turnover per individual is \$6,793. Subtracting the direct cost identified earlier, \$3,749, the remaining \$3,043 would be indirect cost of turnover.

## METHODOLOGY

Direct cost of turnover was calculated as follows:

- 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 report reviewed nine studies of turnover in a range of direct care settings between the years 1992 and 2004.
- The three U.S. Department of Labor, Bureau of Labor Statistics (BLS) occupations used in the Iowa Direct Care Worker Advisory Council's estimate of the direct care workforce were applied.
  - Nursing Aides, Orderlies, and Attendants
  - Home Health Aides (HHA)
  - Personal and Home Care Aides (PHCA)
- The average hourly wage of the three occupations for Iowa, from the 2009 Iowa Wage Survey, was calculated at \$10.45.
- A turnover rate was identified, from the 2009 Iowa Medicaid Enterprise report on turnover, of 64%. In review of the wide variance of turnover rates cited in the BJBC report from various facilities on other states, Iowa's rate is reasonable to serve as an average of the three occupations.
- Data from the BJBC review of several studies was used to establish an average number to calculate cost of turnover per worker.
- An Iowa cost of turnover per worker was calculated by multiplying the average wage figure by the average reported cost per worker from the BJBC report and Iowa's hourly wages. An adjustment factor, 1.27, was applied to the BJBC cost of turnover per worker (\$3,015) to estimate the cost for Iowa in the context of current wages.
- The size of the workforce used is the estimated number of direct care workers from the Direct Care Worker Advisory Council's February 2011 Report to the Governor and General Assembly.
- The cost of turnover in Iowa for 2010 was calculated by multiplying the per-worker cost by 64% of the 2010 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	\$3,749
2010 Size of Iowa Direct Care Workforce	48,927
Iowa Average Annual Turnover Rate	64%
Iowa Annual Direct Cost of Turnover (Millions)	\$117

## CONTEXT AND IMPLICATIONS

Turnover is a difficult issue to examine due to limited availability of data, lack of consistency in data collection methodology, and vast differences in turnover across the industry. This report projects an actual turnover rate for one component of the direct care industry – Iowa nursing facilities. The Advisory Council, comprised of diverse representatives, believes this is a fair average to use for turnover projections for the full spectrum of direct care service delivery, recognizing that some providers have that range between 20 to 30%, and others experience a turnover of 70% and higher. Advisory Council recommendations for credentialing and career pathways are based on strategies proven to decrease turnover, but it is important to acknowledge that 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.

Recruitment and retention of direct care professionals is a perennial challenge in virtually every type of direct service occupation and setting. Efforts to address that issue by stakeholders, including direct care and employer associations, have determined that, in addition to wages and benefits issues, many who enter the direct care field are unprepared for the type of work they will do.

Development over time of a knowledgeable, well-trained, and capable workforce is one way to ensure direct care professionals enter the field with a higher likelihood that they will succeed and remain in direct care, and reduce the cost of turnover. Iowa is implementing a credentialing system for direct care professionals that includes career pathways and competency-based education, with a pilot underway. Through this new credentialing and training system, it is expected that turnover rates for direct care professionals will decrease over time.

For more information, visit our website at [www.idph.state.ia.us/directcare](http://www.idph.state.ia.us/directcare)

### RECOMMENDATIONS TO IMPROVE DIRECT CARE WORKFORCE DATA

The Direct Care Worker Advisory Council has recommended the following standard elements for data collection on the direct care workforce in Iowa:

#### Workforce Volume

- Number of full-time workers
- Number of part-time workers

#### Workforce Stability

- Turnover rate
- Vacancy rate

#### Workforce Compensation

- Average hourly wage
- Benefits (health insurance and paid time off)

*These recommendations are consistent with recommendations from the National Direct Service Workforce Resource Center (NDSWRC) and are further detailed in the Council's February 2011 Interim Report.*

#### Sources

Iowa Direct Care Worker 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](http://www.directcareclearinghouse.org/download/TOCostReport.pdf)