

Unraveling the senior living staffing predicament

By Ziegler, from the Feb. 22, 2016 Z News

It is rare to read an industry journal today without multiple references to the aging population and wave of Boomers preparing for their retirement years. Even mainstream media has devoted entire sections and columns to this shift, one that is going to have a dramatic impact on our healthcare system, our social infrastructure and our economy. The aim of this article is to take a deeper dive into the impact of this demographic shift on the senior living labor pool. Providers, even today, would report that one of their greatest concerns is related to staff recruitment, retention, and scheduling. Knowing the future statistics, these challenges will only be exacerbated.

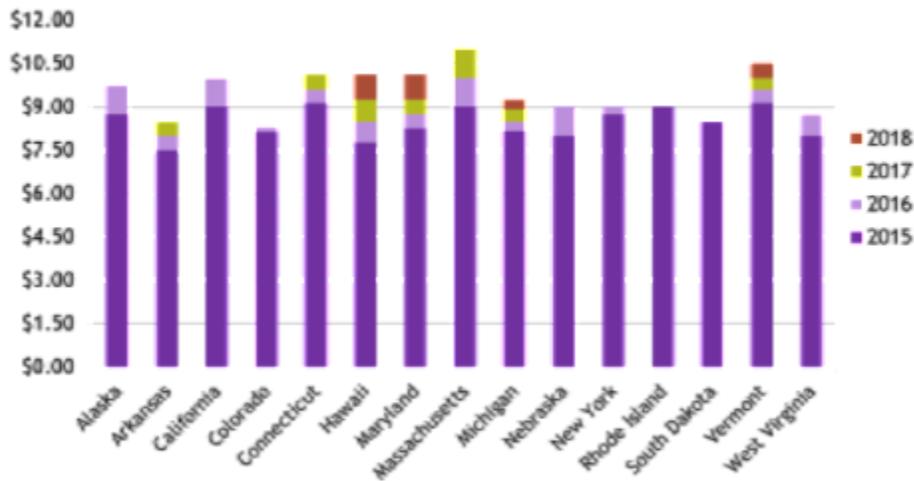
The staffing issue is complex. When you tease apart the key drivers, you will find that it is in many ways the perfect storm waiting to unravel. It is not solely a concern driven by the aging population. Consider the following influencers that are underlying elements of this issue.

- **The Age Wave:** While not the sole influencer, we clearly need to acknowledge its role. It is probably the king of drivers related to this topic. The Bureau of Labor Statistics has projected that 5.0 million new jobs will be added in healthcare between 2012 and 2022. In 2010, the caregiver support ratio was more than seven potential caregivers for every person age 80 and older. By 2030, the ratio is projected to decline to 4 to 1 and even further by 2050 to a ratio of 3 to 1.¹
- **Shift Towards Home-Based Care:** We all know that there has been increased focus on providing services in the home. It is a less-costly alternative to facility-based care and for many it is their location of choice for receiving services. Between 2014 and 2024, home health care services are predicted to increase by 760%, an annual rate change of 4.8%.² For those

who operate home health or home care service lines, you know that the hiring, oversight and retention of aides is very different from facility-based employment and turnover is often quite high. To be effective, providers need to figure out how to form a strong, engaged connection with the staff, even though face-time is often limited, how to overcome operational obstacles such as transportation and communication among others, and how to effectively compensate at attractive levels to retain qualified staff. The median annual wage in 2014 for home health aides was \$23,380 while the U.S. median wage for all occupations in 2014 was \$28,851, a gap of roughly \$5,400.³

- **Minimum Wage Pressure:** As shown in the graph below, fifteen states have increased or plan to increase the minimum wage in 2016.⁴ In addition, certain city officials are pushing through minimum wage increase for workers in their metropolitan areas. Los Angeles has mandated a \$15/hour minimum wage by 2020 and New York State recently set a minimum wage for fast-food workers at the same rate.⁵ No longer are senior living organizations competing with other healthcare providers for staff. In a recent Ziegler CFO HotlinesSM poll, finance professionals indicated that one of the top drivers for current monthly fee increases for residents was wage pressure, more than in previous years.

WAGE INCREASES DRIVE ANNUAL MONTHLY FEE INCREASES FOR SENIOR LIVING PROVIDERS
STATES INCREASE MINIMUM WAGE IN 2016; FUTURE INCREASES PLANNED



Source: Hotlights (Q1/Q2/2016)

- Immigration Reform:** Do not worry. We are not taking a position on this topic. There are plenty of politicians and presidential candidates debating this issue and we will leave that up to them. We wanted to simply report on statistics that relate to the senior living workforce. The Institute for Women's Policy Research reported that in February of 2013, immigrants comprised 28% of the home health care workforce. They also reported that one in five direct care employees were living in the country illegally. Future policies have the potential to have additional impact on senior living labor shortages.

The one topic that we didn't elaborate on is leadership turnover and succession planning, which is another component of the labor issue. A 2015 Ziegler CFO HotlinesSM poll revealed that roughly 25% of CEOs will be retiring in less than five years. The take-home is that workforce issues will be present at all levels with the organization, from the direct-care workforce to the C-suite positions. The solutions to this challenge are not an easy one, but many organizations are devoting significant resources to being an employer of choice, to improving staff

engagement, to evaluating compensation packages and to enhancing training and professional development efforts. In fact, a recent survey⁷ found that 63% of respondents indicated that improving Human Capital Management (HCM) strategy is their number one priority; emphasis on HCM is highest among CCRCs (76%). Throughout the country, there are also initiatives to incentivize individuals to want to go into the healthcare field and to improve educational opportunities within academic institutions and other schools. We do recommend that if this is not one of the key priorities in your strategic plan over the next five or so years that you evaluate how it may play a greater role in future planning. For questions related to this article, or other Ziegler-related research and education topics, please contact the Ziegler banker in your region.

By Lisa McCracken

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Sources: 1 AARP Public Policy Institute

2 U.S Bureau of Labor Statistics

3 Social Security Administration; U.S Bureau of Labor Statistics

4 National Conference of State Legislatures

5 Senior Housing News

6 McKnights Long-Term Care News

7 OnShift and McKnight's Long-Term Care News Workforce Insights: Get Ahead

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