

WHY THERE IS A LABOR SHORTAGE AND WHAT AGENCIES CAN DO ABOUT IT





“Agencies will need to learn to live with a labor shortage for the foreseeable future as best they can.”

INTRODUCTION

The current labor shortage is here to stay, unfortunately. There are six independent, but related reasons for the labor shortage. Even if one or two go away, which is unlikely, the others are sufficient to continue to cause problems for providers. Agencies will need to learn to live with a labor shortage for the foreseeable future as best they can.

This eBook explains the six reasons driving the labor shortage and how a two-pronged approach can minimize the disruption and extra costs being caused by the labor shortage for providers.

SIX REASONS WHY THE LABOR SHORTAGE IS UNLIKELY TO GO AWAY FOR PROVIDERS

1. AGENCIES CAN'T PASS ON PAYROLL COSTS TO CLIENTS

Human service agencies can't simply increase pay rates like Walmart or McDonalds. Agencies are upon state government funding through Medicaid. State governments can't simply increase funding without raising taxes or taking money from other programs. At best, this means state governments are slow to respond to changes in the labor market. At worst, state governments are hostile to Medicaid-funded organizations and cut funding, rather than increase it.

Unlike for-profits with customers who can pay a little more for their fast-food, agencies cannot raise prices. Nor can agencies easily cut services, as they are mandated to protect a vulnerable population. The result is increased overtime costs and rescheduling.

2. INCREASES IN MINIMUM WAGES

During the recession, payroll costs did not rise very much. With unemployment high, the threat of losing employees was not substantial, and the opportunities for finding employees were manageable. However, this is no longer the case.

In the next few years, there will be an explosion in payroll costs. Overall, they will rise, between five and ten percent, depending on your region. Whether it is the wages or the cost of benefits, you'll be spending more to employ. Why is this?

It's a foregone conclusion that minimum wages will be going up. People like to point to Washington state and San Francisco — two places with some of the highest minimum wages in the country that



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have also experienced significant economic growth — as one of the most persuasive arguments why an increase is justified. But that’s not really the reason (your state would grow more than the national average, too, if you had companies like Amazon, Microsoft, and other venture capital firms from Silicon Valley located there).

The real reason is because companies like Walmart are now caving. They’re adjusting to the political landscape. \$7.25 an hour is the current Federal minimum wage. But if you’re paying the minimum, you can expect to see this go up to somewhere around \$10 per hour... that’s a 43% increase by the way!

3. INFLATION WILL GO UP

We are not looking at double-digit inflation over the next few years. But it’s a foregone conclusion that prices are rising. In fact, the Fed wants inflation. There will have to be inflation in order to draw down on their vast balance sheet in an orderly manner. But higher prices means higher wages, and your

employees may not want to settle for the typical 1 to 2 percent salary increase. Expect wages in your region to rise anywhere from 2 to 5 percent depending on your area. This increase will contribute to higher employer taxes and more contributions to retirement plans, too, as these amounts are generally tied to salaries.

4. THE JOB MARKET HAS TIGHTENED

Regardless of how you calculate it, unemployment continues to decrease. While this is good news for employees, as the labor market is heating up, it’s not good news for you. Your employees are looking around, and some are going to jump ship. If you lose employees, you’ll suffer from a loss in productivity and incur unexpected costs to train and onboard a replacement. You will be challenged to keep your current employees happy while finding and paying for new people in a growing economy. You will be challenged to find workers and be forced to pay for more training to get those new employees up to speed too.

5. RESTRICTED IMMIGRATION

Reductions in legal and illegal immigration will further contribute upward pressure on wages.

6. DEMAND FOR CAREGIVERS IS GROWING

Paul Osterman of the Massachusetts Institute of Technology’s Sloan School of Management calculates that, if nothing is done, there will be a shortage of at least 350,000 paid care providers by 2040. By 2040, there will be more than 50 million disabled people in the United States needing some form of long-term care, 12 million more than today. Most will be cared for by family members, but the demand for care workers will explode.

Care providers — home health aides, personal care attendants and certified nursing assistants, in the government’s classification — are expected to be among the nation’s fastest-growing occupations. The Department of Labor’s economists expect a million more will be added from 2014 to 2024.

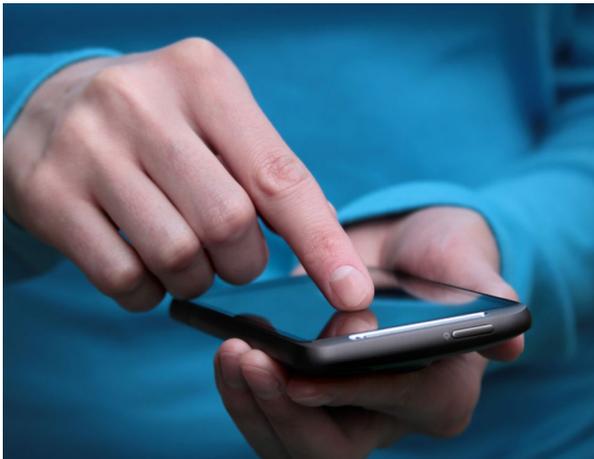
WHAT AGENCIES CAN DO

So what can providers do? There are two steps providers can take which will make a difference.

IMPROVE WORKFORCE MANAGEMENT

Optimize scheduling. With more open positions, providers are scrambling to fill shifts. Of the agencies participating in a recent survey, 42% are considering new scheduling systems. This makes sense; With frequent open positions, agencies are forced to move staff around more frequently. As well as minimizing overtime, improved scheduling practices can also help with retention.

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One of the biggest complaints employees have is lack of advance notification and planning for schedules. Poor scheduling or last minute schedule changes can cause conflicts with employee’s home lives and cause them to seek alternative employment, even at a lower pay rate. Frequent rescheduling leads to a culture of frustration and uncertainty in your workforce and encourages absenteeism and turnover.

A DSP will be much less motivated to show up if they are constantly being rescheduled, especially at short notice, even if they get overtime.

When scheduling employees, it is important to track employee preferences and restrictions in order to maximize employee satisfaction and avoid calling employees to fill an open position they can’t take. Integrate capturing schedule preferences and restrictions into the new hire procedures. Allowing sufficient time between shifts for employees to go home and rest helps. Try to avoid calling employees who have just finished a shift back in.

Using text/email reminders to notify employees of their next shift with instructions of what they are meant to do can reduce absenteeism and

helps motivate employees. Using task scheduling to assign employees specific duties creates a check list for them to tick off. People like to know what they are meant to do.

Allowing employees to see open shifts and request extra hours can both save manager's time, as well as motivate employees who want to boost their pay check.

With higher turnover, task scheduling becomes more important. Task scheduling allows providers to attach standard tasks for each shift, such as in a group home. When a new employee or a replacement shows up, they can be provided with a list of work instructions and other helpful tips directly from their smartphone.

Planning for holidays well in advance can minimize overtime and avoid disruption. Even though DSPs may get extra pay for working on a holiday, few *want* to. Planning holiday schedules in advance will lead to greater satisfaction and better attendance.

Using scheduling with time & attendance to monitor "frequent offenders" helps identify employees who regularly show up late, leave early, or call in sick. These behaviors set a bad example to other employees, causing lower productivity and overtime.

As well as working on the hiring and retention process, agencies report that they had changed some of their scheduling practices to address the labor shortage, including:

- Investing in new scheduling software
- Allowing different sites greater flexibility in how they schedule staff
- Introducing rotating weekend shifts (one on, one off)
- Creating more full-time positions
- Increasing the number of part-time staff
- Creating dedicated scheduler position(s)
- Monitoring hours to ensure employees get a break to avoid burn out
- Scheduling longer shifts, fewer days
- Using salaried staff to cover open shifts



DID YOU KNOW?

Improved employee self-service can also help with retention and improve productivity.

Publish schedules on the internet. Save time for everybody by letting employees see their schedule for the week, who they are working with, open positions, check their timesheets, view PTO balances, and more. Empower employees to request PTO online, which avoids employees getting frustrated if they end up playing telephone or email tag with their manager. Once employees are used to looking at your website, use the website to make organization wide announcements and engage your employees in your projects.

Secure time and attendance. The labor shortage is causing payroll costs to rise principally because of additional overtime, particularly in group homes and HCBS programs. While overtime can never be eliminated, using an insecure time and attendance system encourages poor attendance and low-level payroll fraud. These factors tend to increase with higher turnover and a less stable workforce.



DID YOU KNOW?

Biometric fingerprint readers can eliminate timesheet fraud and buddy punching in group home and day program sites. For all other programs, such as HCBS, capturing time and attendance in real-time will help minimize payroll costs and improve billing results .

HIRING AND RETENTION

Almost all agencies have taken steps to improve retention and hiring. Examples include:

- Better applicant screening to concentrate resources on those most likely to stay
- Improved, more organized on-board training
- Referral hiring bonuses
- New hire bonus on completion of training
- Mentoring program
- Buddy program
- Annual review of retention and on-boarding process
- Awards, award trips
- Employee appreciation days and events
- Contests
- Gift cards
- Monthly newsletters
- Graduated pay scales with incremental increases
- Shift differentials
- Early access to benefits
- Created new position to focus on hiring direct support staff
- Working with local colleges such as nursing schools
- Developing career ladders and career paths
- Profit sharing

Using small bonuses to thank employees is common. For example, an agency with a large number of group homes has a monthly attendance competition. The group home with the best attendance record at the end of the month gets a pizza party at the group home location.

Providing adequate training. When staff are poorly trained, they are more likely to leave. Provide opportunities for people to improve their skills via training sessions, presentations, and team assignments. Employees like to share what they know; the act of teaching others ensures the employees own learning.

Use automated text or email alerts to remind employees about license expirations, upcoming training, reviews, and more. Sending automated happy birthday and anniversary greetings all help.

An HR mail merge can keep different groups of employees updated about changes that affect them. Simple emails of praise at the completion of a project, monthly memos outlining achievements of a team to the wider division, and peer-recognition programs are all ways to inject positive feedback into a workforce. Also, consider reporting accomplishments up the chain. A thank you note to the employee is good. Copying higher-ups makes that note even more effective.

Apart from pay, agencies reported problems with the quality of applicants among those who are available. Common problems were:

- Applicant can't pass drug and background checks
- No relevant skill sets
- No shows for interviews and training
- Fails to complete training successfully
- Poor concepts of attendance responsibilities

“Encourage workers to come to HR with career questions and wishes throughout the year. Employees like to feel like their hard work is being rewarded.”

Make sure your company is on top of review dates. Provide career paths for DSPs, as employees want to know where they could be headed and how they can get there. Annual reviews or midyear check-ins are one obvious venue for these discussions, but also encourage workers to come to HR with career questions and wishes throughout the year. Employees like to feel like their hard work is being rewarded.

Part of making sure your employees feel this way is giving DSPs the opportunity to achieve the non-tangible benefits of recognition and advancement. Reward exceptionally smart, resourceful, and hard-working DSPs by gradually increasing their responsibility and giving them more important titles. An DSP who's advanced from an entry-level position to a manager role is much more likely to be loyal than one who's done the same job for years.

- It's not enough to simply “offer” the potential for advancement — it's also important to make sure that DSPs understand how they can advance in your company. Provide them with written guidelines on what factors will help them advance, such as good attendance records.
- Try to promote from within your agency workforce, rather than recruiting outsiders. While this may sometimes be unavoidable, hiring an outsider to fill a vacancy when there are qualified employees with years of experience who could conceivably do the job can give the impression that you don't care about your employees' accomplishments.
- Conduct exit interviews. If they don't yield enough information to help solve a retention problem, consider asking longer-tenured employees why they stay. Ask questions such as: Why did you come to work here? Why have you stayed? What would make you leave? What are your nonnegotiable issues? What about your managers? What would you change or improve?

While there are no quick fixes for turnover, making a few key changes can increase caregiver retention and help alleviate the challenges agencies face by caregiver shortages.

ABOUT AGENCY WORKFORCE MANAGEMENT

Designed specifically for providers serving I/DD and behavioral health communities, Agency Workforce Management supports all the needs of agencies — time & attendance, EVV, scheduling, HR, workforce analytics, payroll and billing integration, and more.

Visit www.mitcagencies.com or email info@mitcsoftware.com to learn more.