

Nursing Staff Turnover Cost Analysis

Nursing staff turnover has serious implications for long-term care organizations, residents, families, and the remaining staff who are stressed by extra responsibilities.

A Formula to Determine Your Turnover Costs

Calculate turnover costs separately **for each level** of nursing staff (i.e., directors, managers, staff nurses, CNAs). To be conservative, use an average cost of turnover rate of 25%. If you have managerial or educational positions that have gone unfilled for 6 months or more, you may want to use a higher average cost of turnover (50% or 100%, depending how much time and effort your organization has put into recruiting for this position). We also need to include the cost of benefits provided. We use 30% of wages as the typical benefit amount. Again, it may be higher or lower in your organization, so you may want to adjust the benefit rate. **Fill in the blanks to estimate your turnover cost.**

| | |
|---|----------|
| Nursing Staff Level: _____ | |
| 1. Annual Salary \$ _____ X .25 = | \$ _____ |
| 2. Benefits \$ _____ X .30 = \$ _____ X .25 = | \$ _____ |
| 3. Add lines 1 and 2 for the total turnover cost per staff at this level | \$ _____ |
| 4. Total number of staff at this level | _____ |
| 5. Total cost of turnover for that position (multiply lines 3 X 4) | \$ _____ |

As an example, say an organization with 10 nurses and 50 CNAs experiences an annual 30% turnover of nurses and 50% turnover of CNAs.

For nurses:

| | |
|---|-----------------|
| 1. Annual Salary of \$40,000 X .25 = | \$10,000 |
| 2. Benefits for \$40,000 X .30 = \$12,000 x .25 = | <u>3,000</u> |
| 3. Total turnover cost per nurse = | \$13,000 |
| 4. Total number of nurses who left = | <u>X 3</u> |
| Total annual cost of turnover for nurses = | \$39,000 |

For CNAs:

| | |
|--|------------------|
| 5. Annual Salary of \$20,000 X .25 = | \$ 5,000 |
| 6. Benefits for \$20,000 X .30 = \$6,000 x .25 = | <u>1,500</u> |
| 7. Total turnover cost per CNA = | \$ 6,500 |
| 8. Total number of CNAs who left = | <u>X 25</u> |
| Total annual cost of turnover for CNAs = | \$162,500 |

Total annual cost of turnover for this organization = \$201,500

The Cost of Nursing Staff Turnover

The American Health Care Association (2007) reported high annual turnover in long-term care organizations: between **38%-50% for directors of nursing and staff nurses and 66% for certified nurse assistants**.

It is estimated that the **cost of nursing staff turnover is between one-fourth and three times an employee's annual salary** depending on the level of the position and the supply of qualified candidates for that particular position. For a staff nurse making \$40,000 per year, the replacement cost (for one person!) can be \$10,000 or more. For a CNA making \$20,000 per year, the replacement cost can be \$5,000.

Additionally, there are costs associated with turnover that we cannot easily assign a dollar value. The following is a partial list of costs associated with nursing staff turnover:

- Overtime and/or agency costs to replace the vacancy
- Recruitment costs to advertise and market
- Human Resources costs to recruit, screen, and select candidates
- Management costs to select, orient, and train new nursing staff
- Increased workload and stress on remaining staff
- Decreased resident care quality and level of service provided
- Possible relocation of residents to other units with adequate staff ratios
- Decreased morale of staff who must constantly retrain new staff and develop new relationships
- Decreased satisfaction of residents, families, and employees
- Subsequently, a cyclic pattern of turnover due to all these factors develops

Retention and Staff Development

Retention and staff development go hand-in-hand. A long-term care organization and its leaders that commit to champion a culture of learning will benefit both staff and residents.

LEAP: Learn, Empower, Achieve, Produce

Organizations that have embraced LEAP are reporting **decreases in annual nursing staff turnover of 20% to 50%**. You have already done the math to see what that means in cost savings.

LEAP is a comprehensive program that centers on building relationships among staff, residents, and families. Nurse managers and staff who will implement the program in their own community attend a highly interactive 2-day "Train-the-Trainer" workshop to equip them with the tools and skills they will need to stimulate a culture of learning.

LEAP includes a "self-assessment" of an organization's culture of learning, looking at both management styles and factors that enhance learning and empower staff through the **Organizational Learning Readiness Survey**.

More information about the complementary **Organizational Learning Readiness Survey** can be obtained from the LEAP Program, Mather LifeWays Institute on Aging, by calling 847-492-7444 or e-mailing leap@matherlifeways.com.

We are constantly adding new LEAP "Train-the-Trainer" workshops, so please contact check our website for more information.