

Return on Investment and Measuring Impact

Critical to understanding ROI and measuring impact is defining clear objectives for workforce development programs and utilizing a streamlined approach to track progress.

Quite often healthcare systems that are beginning an impact workforce journey ask what their return on investment (ROI) is going to be. People may look for a dollar amount that benefits the healthcare system and can justify any expense spent on these programs. It can be complicated to get a specific dollar amount of ROI for a number of reasons that will be explained in this section. However, additional metrics that measure impact can be used to support and give ample justification for impact workforce strategies.

Short-term objectives may include the target number of participants, training program completion rates, and post-program placement measured by minimum retention rates. This allows the workforce development team to identify areas of success and improvement when collected alongside qualitative feedback from supervisors and program participants.

Longer-term, key performance indicators may include retention rate of trained employees, internal mobility and promotion rates of both external and internal talent, engagement, and manager satisfaction. Human resources and talent acquisition systems are used to track career progression, performance, and engagement so sustained impact can be assessed.

Return on Investment

Calculating your return on investment ⓘ

Investment in impact workforce strategies can create cost savings by:

- Reducing turnover and increasing retention rates
- Making the recruitment process more efficient
- Reducing time to fill open positions
- Saving on orientation and internal training costs


Investment in impact workforce programs can also be measured by the impact it has on both your healthcare system and the surrounding communities in areas such as:

- Addressing issues of health equity and identified community health needs
- Creating a workforce that better serves the local community
- Improving employee engagement and morale
- Improving the institution's reputation in the community
- Increasing the number of residents with access to health insurance

Savings


Reduce Job Turnover Rates

Local hiring and impact promotion programs have been shown to reduce turnover rates and improve


retention, which can lead to significant cost savings.  To demonstrate savings and better understand return on investment, it is important to calculate the cost of turnover. It must be noted that the cost-of-turnover calculation often encompasses some of the other savings listed below, and care should be taken not to double count savings.

Turnover Variables

The cost of turnover includes:

- separation costs (cost of administering exit interview, severance pay)
- recruitment costs (advertising, recruiter staff time)
- selection costs (interview time, background and reference checks, drug screens, administrative time)
- hiring costs (human resource administrative costs and staff time, relocation costs, orientation, and job training)
- lost-productivity costs (vacancy cost, cost of hiring temporary staff or covering position's responsibilities with overtime, peer disruption) 



Healthcare human resources literature identifies turnover cost rates per job category, which can be used as a multiplier when calculating return on investment. 

To calculate the turnover rate of program participants compared to general employees, compare employee turnover among participants of specific training or outside-in pathway programs to general turnover rates in that specific position.

Make the Recruitment Process More Efficient

Many of the best practices to train local residents for jobs (e.g., working with an intermediary for outreach, utilizing a cohort model, etc.) also save time and resources on recruitment. Workforce intermediaries and community organizations can source, screen, and prepare a qualified pool of applicants to your specifications who can then apply to targeted positions.

Recruitment Variables

- Cost to source applicants through standard recruitment channels
- Cost and time for recruiters to sort through large volumes of applicants
- Number of qualified candidates provided by intermediary

Reduce Time to Fill Open Positions

Working with an intermediary may also yield savings due to a decrease in time to fill open positions. When given enough notice or with a regular cadence of training, intermediaries can develop training cohorts for high volume or high turnover jobs. For positions where there may be a shortage of qualified applicants, this can yield a qualified pool of applicants much faster than the normal application process. The time spent to fill positions is important to consider because the cost of vacancy can be significant. For example, filling the position through overtime or through a staffing agency often results in rates that are much higher than standard wages.

Time To Fill Variables

- Average time spent to fill a particular position category, from vacancy to hire
- Average time spent to fill a targeted cohort position, from vacancy to hire
- Cost of overtime or staffing agency replacement

Save on Orientation and Internal Onboarding Costs

Every incumbent that is hired to fill a position represents a cost savings from the elimination of the need for corporate onboarding and orientation.

Both outside-in and inside-up training programs often involve a customized curriculum adjusted to employer needs. Pre-employment training programs can incorporate specific skills-training on the institution’s software programs, organizational practices, and position-specific tasks. Candidates often tour the institution prior to hire, and even complete job shadowing or internship programs. Since the cost of such training is often covered by the workforce intermediary or training partner, these are time and resource savings for orientation. It is important to note that these savings might already be captured in the cost-of-turnover multiplier, so these should only be measured if you are not utilizing that multiplier.

**Onboarding
Cost
Variables**

- Cost and length of standard new-employee onboarding and training
- Cost of resources used in standard new-employee onboarding and training
- Cost and length of new employee orientation and training for impact promotions

FROM THE FIELD

One example of calculating return on investment comes from Rush University System for Health, which has documented financial savings from career pathway programs due to improved retention, filled vacancies, and reduced overtime costs. The health system experienced staff shortages for Patient Care Technicians (PCT) in 2022, leading to increased spending on overtime pay for PCTs, which costs 1.5 times more than employees’ hourly wages. ⁱ The workforce development team proposed a solution: by developing a PCT career pathway program, Rush could fill vacancies and reduce overtime hours by 50%, yielding a projected cost savings of approximately \$67,474 annually.

The PCT career pathway program, with a cost of \$15,877, quickly paid for itself through these overtime savings. The reduction in overtime alone more than covered the program’s expenses, providing a strong return on investment. In addition, increased retention rates were documented due to the program design where participants receive tailored support and build relationships with one another throughout their training. In justifying the program, William Krech, associate vice president of talent strategy at Rush, referred to a 2019 Gallup study which found that replacing an employee typically ranges from one-half to two times their annual salary. ⁱ By improving retention—evidenced by a 2.9% decrease in turnover from May to December 2022—Rush’s PCT career pathway program helps reduce recruitment and training costs, further increasing its return on investment. ⁱ

Save on Training Costs Through Leveraging Public and Philanthropic Resources

In order to address skills gaps, health systems must invest resources in training programs. However, in developing an impact workforce strategy, health systems are often able to leverage public funds for training efforts focused on meeting employer demand. Workforce development boards, city offices of economic development, local chambers of commerce, and federal workforce grants can often be used to develop employer-specific training. Similarly, local intermediaries often receive philanthropic grants or use public funding to develop this type of training. By partnering with these organizations and local intermediaries, the cost that the individual institution would have had to outlay to invest in building employee capacity converts into a savings. In addition, grant applications for federal funding and national philanthropy are often more competitive when they quantify demand for training programs across a sector or coalition of partners and demonstrate the benefits beyond just one employer or community.

**Training
Cost
Variables**

- Cost of recruiting external candidates for training programs
- Cost of training applicants for positions
- Cost of partnering with workforce development organizations to do that recruiting

Other Cost Variables to Include in ROI Calculations

When examining the ROI for impact workforce strategies, it is helpful to consider all costs associated with implementing and operating the programs. By incorporating these additional programmatic and institutional costs, it becomes easier to plan for the program's long-term sustainability.

Other Variables

- Staff time for administering program
- Tuition assistance provided for internal candidates
- Training costs for internal candidates or candidates sourced through outside-in pathways
- Costs of space and training equipment

Additional Benefits

As explained in the prior section, in addition to metrics that can demonstrate financial returns for the investments made in impact workforce programs, health systems can measure other tangible benefits and positive outcomes from these efforts that lead to the greater well-being of employees, and thus, improved health outcomes in the community.

Increase Economic Stability

Economic conditions are critical to health and well-being. Stable employment accompanied by higher wages, health insurance, and other financial benefits gained by employment in the health system can lead to greater economic stability in local neighborhoods.

Variables

- Results from Community Health Needs Assessments
- Data on wage increases and length of employment from program participants

Enhance Patient Satisfaction

Hiring employees from communities facing health disparities can positively impact patient experiences. When patients can connect with care team members who share similar backgrounds, languages, or life experiences, it may foster trust and improve communication. This enhanced connection has the potential to lead to greater patient satisfaction and increased engagement in care.

Variables

- Improved patient satisfaction
- Increased participation in healthcare services

Improve Employee Morale

Training and investment in employees can improve employee morale. Moreover, managers who participate in job training programs may show increased pride in working at the institution. Improved morale is an important factor in retention, and thus an important benefit.

Variables

- Data from employee satisfaction surveys over time and between control group and trained group
- Data from employee satisfaction of managers who serve in coaching and mentoring roles compared to control group
- Benefits of employee engagement and loyalty that results from advancing internal candidates

- Community health benefits from community health worker positions

Bolster Reputation in the Community

An impact workforce strategy can help to strengthen the health system's reputation as the local provider of choice. When patients and community members see that the health system is catalyzing local job creation and career development, it demonstrates a commitment to improving overall community health and well-being.

Variables

- Data from community surveys
- Number of visits from patients in surrounding zip codes
- Positive press from impact workforce programs

Apprenticeship ROI Calculator

MI Apprenticeship is a state program in Michigan that is managed by the Workforce Intelligence Network and its partners. It works to provide Michigan employers the resources and support to improve their apprenticeship programs, and provide job-seekers with the resources to find apprenticeship opportunities and achieve long-term career growth. MI Apprenticeship has a useful calculator that determines the return on investment of an apprentice. The calculator takes into account wage progression during the apprenticeship program, costs of training the apprentice, and many other variables. The calculator can be accessed here: https://miapprenticeship.org/employers/roi_calculator.php.