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Retention and Succession Planning Can Combat the Tight Labor Market in Seniors Housing

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Real estate industry expert Jon Boba discusses current trends in the seniors housing sector.

Q: What changes have you seen in seniors housing in the past year?

Jon: The tight labor market remains the top headache for the industry. Site-level labor shortages continue to be a significant problem. Until meaningful new immigration laws are passed, there does not appear to be a lasting solution to this problem. Labor issues are not merely a site-level issue either, as many firms in the industry have suffered key personnel losses at corporate offices where critically important accounting and finance and other impactful support functions are turning over at an increasing rate as professionals seek new opportunities in other industries.

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Q: What are firms doing to combat the staffing situation?

Jon: We have seen examples of flexible scheduling, "stay bonus" utilization to reward employees who work for as little as three months, six months, or a year, position rotational opportunities, and even the return of a push toward inflated job titles to recruit, retain, and reward staff. For financially constrained firms, title adjustments can serve as a low-cost measure to increase retention. However, increased reliance on this strategy as a firm approach has long-term effects, typically when the "newly retitled" employees fail to see any material financial adjustments or increases in day-to-day responsibilities. For these reasons, it is not a strategy we endorse.

Q: Are there any other trends you are seeing in the industry?

Jon: We are watching an increasing trend toward more mergers and consolidation as a strong and resilient generation of industry founder/owner/operators look to transition out of their active day-to-day leadership roles. The challenge, however, is that many of these organizations have not adequately developed a succession plan or have a ready and proven internal successor in place for a smooth and orderly transition. As a result, many CEOs are looking to merge with or be bought out by firms with proven executive management teams, which often erases their firms' name and legacy in the industry. For an optimal result, a sound succession planning strategy is critically important to enable an organization to survive and thrive during a transition.

About the Author

Jon Boba is a managing director at Pearl Meyer. Over his nearly 30 years in real estate consulting, he has completed more than 1,000 engagements representing a wide range of firms in the real estate and financial service industries. He also has developed an industry specialization in health care/seniors housing as well as affordable housing, where he is a recognized leader, respected conference speaker, and author of several published articles.

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