

MAKING CARE WORK PAY

How A Living Wage Benefits Us All

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Every day, 3.5 million nursing assistants, personal care aides, and home health aides go to work in residential care settings and private homes across the country. These direct care workers provide life-sustaining care to people who are older, live with disabilities, or have complex medical needs. They also offer daily support to help care recipients remain healthy, safe, and as independent as possible while avoiding unnecessary use of expensive health care services.

Direct care workers are critically important to our nation's health and economy, a fact that they demonstrate each day as they work on the front lines of the coronavirus pandemic. Yet direct care workers remain so poorly compensated that 1 in 8 lived in poverty and more than half received public benefits in 2018.

Why do we undervalue workers who are the foundation of our health and economic well-being? Our broken system of paying for care is often to blame.

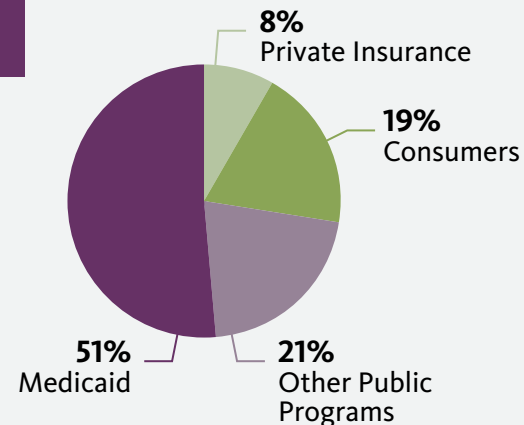
Providers of long-term services and supports (LTSS) receive three-quarters of their funding from Medicaid, Medicare, and other public sources, depending on state and federal policymakers to allocate sufficient funds to cover the costs of care. Because funding levels are woefully inadequate, providers continually struggle to find the resources they need to pay direct care workers at least a living wage.

Poor compensation has far-reaching effects. It contributes to the financial instability of direct care workers and their families. It leads to chronic staffing shortages, decreased productivity, and reduced quality of care, and also adversely impacts the economic health of local communities.

WHO PAYS?

Government and private resources pay for a significant amount of the nation's LTSS bill

Source: Kaiser Family Foundation analysis of 2013 data



48.2%
of direct care workers earned less than a living wage in 2018



15.6%
of all health care employees were direct care workers in 2018



1 in 8
direct care workers lived in poverty in 2018

A BETTER WAY: THE IMPACT OF A LIVING WAGE

A new LeadingAge study offers a glimpse into a different world—a world in which direct care workers earn at least a living wage. That living wage would allow workers to pay for basic living expenses out of their own earnings, without relying on public assistance.

Using publicly available data and standard economic simulation techniques, LeadingAge researchers found that higher wages would bring myriad benefits to direct care workers, the direct care field, care recipients, and local communities. Specifically, higher wages would:

- Increase the financial well-being of direct care workers.
- Reduce turnover and staffing shortages within care settings.
- Boost worker productivity.
- Enhance quality of care.
- Increase overall economic growth in communities where direct care workers live.

Raising wages to at least a living wage in 2022 would benefit three-quarters of direct care workers (75.3%). On average, workers would receive a 15.5% pay increase that year, with total wages for direct care workers increasing by an estimated \$9.4 billion nationwide.

The overall price tag for these meaningful wage increases would be relatively modest, considering that total LTSS spending was already \$366 billion in 2016 ([Congressional Research Service, 2018](#)) and will likely exceed \$400 billion in 2022. The increases would pay for themselves through lower turnover and higher productivity.

Raising pay to at least a living wage is only one of many actions needed to improve the lives and livelihoods of direct care workers. However, higher pay is a critical first step in enhancing the financial security of workers, reducing turnover, increasing quality of care, spurring economic growth, and lowering costs for public assistance and tax credit programs.

BENEFIT TO WORKERS: FINANCIAL WELL-BEING

Many direct care workers struggle to make ends meet, despite the important and difficult work they do each day. On average, these workers earned only \$13.36 an hour in 2019, taking home a weekly pay averaging \$474.79. One in 8 workers (12.6%) lived in poverty in 2018, with almost half (48.2%) earning less than a living wage. Most (84.4%) lacked a retirement benefit through their employer in 2019, and 14.2% had no health insurance.

A meaningful increase in pay would reduce financial hardships and increase financial security for many direct care workers. These workers would be able to pay their bills more regularly and save for emergencies. Over the long term, higher pay would double the share of direct care workers who have retirement savings and substantially increase the share of those who own their own homes.

BENEFITS TO THE DIRECT CARE FIELD: FEWER STAFFING SHORTAGES, LOWER TURNOVER, AND HIGHER PRODUCTIVITY

Paying direct care workers at least a living wage would help relieve staffing shortages in the direct care field by encouraging current aides to work longer hours and helping employers attract new workers. Enhanced retention and recruitment would add the equivalent of 330,000 direct care workers to the ranks of those already employed—a 9.1% boost to employment in 2022.

Better paid workers would be less likely to leave the direct care field. The resulting lower turnover would reduce the costs that employers incur when recruiting and training new workers. Even modest turnover reductions of 0.7 to 1.7 percentage points could cover more than 10% of the total wage increase. Total productivity would increase by at least \$5.5 billion as it became easier for employers to retain and attract a larger number of qualified workers.



\$5.5 billion
expected minimum
increase to total
productivity
in 2022



\$17–\$22 billion
added to local
economies as direct
care workers spend
their additional income



\$1.6 billion
could be saved
each year from
government public
assistance programs

BENEFIT TO CARE RECIPIENTS: HIGHER QUALITY CARE

Shortages of dedicated, well-trained direct care workers often leave care settings, care recipients, and families scrambling to fill care gaps. As a result, many care recipients find themselves unable to live as independently as they had hoped, moving to residential care settings sooner than they had planned, and facing worsening health outcomes.

Raising pay for direct care workers would make it possible for older care recipients and people with disabilities to receive more consistent and reliable care, making it easier for them to live independently. Higher wages would also allow employers to attract direct care workers with more experience, education, and relevant certifications. This would make it easier for newly hired direct care workers to assume complex tasks more quickly.

[Ruffini \(2020\)](#) estimated that a 10% increase in the minimum wage for direct care workers would spur marked improvements in resident health and safety. These improvements have been shown to reduce costly, adverse health outcomes like hospitalizations and infections.

BENEFITS TO LOCAL ECONOMIES: INCREASED CONSUMER SPENDING AND REDUCED PUBLIC ASSISTANCE

Higher pay for direct care workers would increase overall economic growth and boost job creation outside of the occupations in which direct care professionals work.

Paying direct care workers at least a living wage would add \$17–22 billion to local economies in 2030 as direct care workers spend their additional income on clothing, food, health care, and transportation. This new consumer spending would add 65,516 to 85,990 jobs to other sectors of local economies.

Additional income would also reduce workers' reliance on public assistance programs, further offsetting the additional costs of paying higher wages. By 2022, 16.8% of direct care workers currently receiving public assistance would no longer receive it. As a result, governments would save up to \$1.6 billion per year on programs like Medicaid, food stamps, free and reduced price school lunches, housing subsidies, and the Earned Income Tax Credit.

The largest reduction in public assistance—\$557 million—would come from reduced Medicaid spending, as direct care workers began receiving health insurance benefits from employers or purchasing subsidized insurance through health insurance exchanges.

VARIATIONS BY STATE

All states would see economic benefits from paying direct care workers higher wages. However, states with more direct care workers—and states with a substantial gap between the living wage and the existing wage—would experience the most significant economic impacts.

State	Additional Economic Output by 2030	Additional Direct and Indirect Jobs	Total Public Assistance Savings
California	\$3.6 billion	51,643	\$165 million
New York	\$2.6 billion	37,474	\$386 million
Texas	\$1.3 billion	19,106	\$32 million
Virginia	\$746 million	10,783	\$1 million
Florida	\$705 million	10,184	\$48 million

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READ THE FULL REPORT

Making Care Work Pay:
How Paying at Least a Living Wage to Direct Care Workers Could Benefit Care Recipients, Workers, and Communities