



Independent Democratic Conference



Taking Care Of Our Caretakers



**Senator Jeffrey D. Klein &
Senator Diane J. Savino**

Introduction:

On September 10, 2015, The New York State Department of Labor (NYSDOL) issued an order designating that the minimum wage for workers in the fast food industry would increase to \$15 per hour in New York City by 2018 and in the rest of the State by 2021¹. According to NYSDOL, this order would affect 164,000 to 200,000 private sector low wage workers statewide. The Department's order highlighted how many fast food workers were the primary wage earners in their households, and how low wages force many employees to seek public assistance to make ends meet. The order also showed that the industry employing these workers had profited from these low wages, and that it had the means to ensure higher wages for its employees.

However, this order immediately raised two resulting concerns. First, was this targeted wage increase fair? After all, employees at fast food establishments make up only a small portion of those workers in New York State making under \$15 per hour. According to a joint report by the Fiscal Policy Institute (FPI) and the National Employment Law Project (NELP), the number of workers making under \$15 per hour in New York State is approximately 3 million², meaning that fast food workers at most constitute 6.67% of the employees making under \$15 per hour. Secondly, how could the Department of Labor of New York State mandate wages for private sector workers higher than the wages being earned by many public sector employees?

As a result, these concerns led to a number of wage increase announcements in the months since the NYSDOL order was issued. On November 10, 2015, Governor Cuomo announced that New York State would increase the minimum wage it would pay state workers following the same schedule laid out for fast food workers. This was followed by an announcement on January 4 of this year that the State University of New York (SUNY) would follow the same wage schedule increases for all its workers. On January 5, New York City Mayor Bill de Blasio announced that New York City would increase the minimum wage for its own workers and for non-profit employees contracted by New York City to \$15 per hour by 2018. In total, these announcements cover 58,000 State and City direct employees (including SUNY employees) and 30,000 individuals employed by non-profits in the human services sector contracting with New York City. This brings the total number of workers who would see their wages increased by these announcements to 88,000, or an additional 3% of low wage workers in the state.

However, in all of these resulting minimum wage increases, as laudable as they are, unaffected are the hundreds of thousands of health care workers currently making under \$15 per hour while providing critical and vital services to the neediest and most vulnerable members of our society. The healthcare sector accounts for 12% of employment in New York State³. Home health and personal care aides are two of the largest professions in the health care industry in New York State, but they also happen to have the lowest average hourly wages. These workers provide

¹ NYS Department of Labor Order available at:

<https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/FastFood-Wage-Order.pdf>

² *Why New York State Should Let Cities and Counties Enact Higher Local Minimum Wages*, National Employment Law Project and Fiscal Policy Institute, (February 2014), pg. 3. Report available at: <http://fiscalpolicy.org/wp-content/uploads/2014/02/Why-New-York-State-Should-Let-Cities-and-Counties-Enact-Higher-Local-Minimum-Wages.pdf>

³ *The Health Care Workforce in New York*, The Center for Health Workforce Studies (June 2014), pg. 18. Report available at: <http://chws.albany.edu/archive/uploads/2014/08/nytracking2014.pdf>

services that are integral to the public good, which is why the public sector is the primary source of funding for most of these services, through Medicare and Medicaid.

Now that the state has chosen to increase the wages for its own workforce, it is only fair that those individuals working to provide critical services for our neediest citizens also see an increase. Individuals that choose to do the difficult work needed to take care of the elderly, disabled, and ill should not be expected to be paid less than individuals who are part of the fast food workforce, especially when they are often the primary wage earners for their households and often must rely on public assistance to make ends meet. It is shameful that those individuals that are in charge of taking care of our most vulnerable are themselves left in vulnerable and precarious financial conditions.

Proposal and Key Findings

As a result, as part of its NY 2020 agenda, the Independent Democratic Conference (IDC) strongly supports taking care of our caregivers. We will do this by ensuring that workers in our healthcare industry, particularly low paid workers like home health aides and personal care aides, be paid a \$15 per hour minimum. An increase to \$15 per hour would lead to an estimated net increase of the wages of these employees of **\$1.37 billion**, for an average benefit of **\$4,999**. These higher wages would also lead to additional economic activity and to an increase of jobs in the **range of 2,300 to 4,000**.

Positive effects of raising the wage for home health and personal care aides to \$15/hour:

Effects of \$15/Hour Raise for Home Health and Personal Care Aides	
Workers Affected	274,548
Gross Increase in Wages	\$2,287,378,413
Net Increase in Wages	\$1,372,427,048
Average Net Benefit	\$4,999
Increase in GDP	\$312 to \$535 million
Additional Jobs	2,345 to 4,022
Additional PIT Revenue	\$97 to \$101.7 Million

As noted though, the public sector is the primary source of funding for the services that home health and personal care aides and other low wage healthcare workers provide. This means that the public sector, in this case New York State's government, must ensure that service providers can pay these wages without cuts to services. While we will show that a number of state expenses will decline because of this increase in wages, and that the state would benefit from the additional economic activity that higher wages will lead to, the state will have to bear an increase in its payments to providers in order to ensure these higher wages while maintaining current or future expected levels of service. The IDC strongly believes that this is a necessary and laudatory investment in the quality and well-being of our healthcare workforce, one that the state must make to ensure a better, fairer and healthier New York.

The Growth of Low Wage Jobs in The Health Care Industry:

The most recent recession saw the widespread loss of mostly middle income jobs. As New York and the nation begin to recover, the economy has begun to add new jobs, but these jobs gains have predominantly been in low wage sectors.⁴ Despite these low and stagnant wages, corporations are seeing their profits grow. In 2013, over 3 million New Yorkers were paid low wages; two-thirds were paid less than \$12 per hour.⁵ Statewide, 37% of wage earners are paid low wages and this percentage grows in more urban areas of the state.⁶ For example, in Rochester 40% of the wage earners are low wage, and in The Bronx over half, or 51%, are low wage. **Many of these low paying jobs are direct care professions.**



"I feel better knowing that my clients have someone to care for them. I feel better about myself doing this work though I'm still poor.

I supplement my income by waitressing sometimes but I just want to be able to make a decent living caring for people."

Patricia O'Hara,
homecare worker

One report found that in New York City one out of every seven low wage workers is employed as a home care aide.⁷ It is critical to note that low wage workers are not just part-time workers supplementing their own incomes without making a major contribution to the total family income. According to a report from the Economic Policy Institute⁸, on average, low wage workers earned half of their family's total income. Twenty-seven percent of affected workers are the sole providers for the household, and only 5% are under 20 years old. Seventy-five percent are over 25 years old.

Nationally, and particularly in New York State, care for individuals with disabilities, developmental disabilities, mental health issues, and the elderly has been shifting from institutionalized care to more community based settings. As a result there has become a growing need for direct support professionals. These direct support professionals include home health aides, personal care aides, job coaches, direct care counselors and mental hygiene workers, among many other titles. These professionals provide quality care and assist with daily living activities for some of the most vulnerable populations. Although these individuals care for some of the most vulnerable individuals they are amongst the lowest paid workers in the state, particularly when compared with other health care professionals.

The two main job classifications that the Bureau of Labor Statistics tracks that cover these workers are home health aides and personal care aides. According to the latest report by the Center for the Health Workforce in New York, these positions, alongside with certified nurse assistants, comprise 55% of the direct care workforce in New York.⁹ In New York, home health aide services include: simple health care tasks, personal hygiene services, housekeeping services essential to the health of the individual they are caring for, and other related support services. Personal care services include:

⁴ FPI/NELP report; Defined as an hourly wage of \$15 per hour or less.

⁵ Ibid, pg. 2.

⁶ Ibid. pg.13.

⁷ PHI Medicaid Redesign Watch #1, Wage Parity For Home Care Aides, pg. 1.

⁸ Cooper, David, *Raising the New York state minimum wage to \$15 by July 2021 would lift wages for 3.2 million workers*, Economic Policy Institute, (Jan. 5, 2016), pg. 4. Report available at <https://nyfightfor15.org/epireport-nysminimumwageto15/>

⁹ Center for Health Workforce Studies, *The Health Care Workforce in New York State, 2014: Trends in the Supply and Demand for Health Workers*, (September 2015). Available at: http://chws.albany.edu/archive/uploads/2015/10/Tracking_Report_2015.pdf

services to assist with personal hygiene, dressing, feeding and household tasks essential to health of the individual. For publicly funded programs, the aforementioned tasks must be prescribed by a physician, though this is not the case for privately funded services.

With the movement towards care for individuals in more community based settings there is a growing need for direct care workers. Bureau of Labor statistics indicate that nationally there are over 1.2 million individuals who are employed as personal care aides and 799,080 individuals are employed as home health aides.¹⁰ This industry is one of the fastest growing in the country: between 2001 and 2012 employment in these two occupations have doubled.¹¹ Despite being one of the fastest growing industries, however, wages continue to be low and turnover rates remain high.

For the occupations that are tracked, nationally, personal care aides earn a mean hourly wage of \$10.20 and a mean annual wage of \$21,210.¹² Similarly, home health aides earn a mean hourly wage of \$10.77 and a mean annual wage of \$22,400.¹³ Turnover is high across all sectors of the health care industry, especially in the long term care field. Nationally, between 40%-60% of home health aides and personal care aides will leave their job after less than one year.¹⁴ Turnover is typically due to low wages, low morale, absenteeism, and burnout.¹⁵

The Home Health Care Industry in New York:

Similar to the national trend, the home health care industry is growing in New York. According to a report done by the Center for Health Workforce Studies, “sixteen of the top thirty growing occupations between 2012 and 2022 are in health care,” home health aides and personal care aides are projected to increase by 49% and are the top two growing health occupations in New York.¹⁶ According to the BLS New York has 146,550 individuals employed as home health aides and 142,220 individuals employed as personal care aides.¹⁷ Despite being the top growing occupation in health care, personal care aides and home health aides are among the lowest paid occupation in health care.¹⁸ New York’s hourly mean wage for home health aides is approximately \$10.75 per hour for an annual mean wage of \$22,360.¹⁹ And personal care aides earn approximately \$11.73 per hour with an annual mean wage of



“I love what I do. I’ve worked at this job for 17 years, and I’ve come to understand how wonderful it is, taking care of people in their homes.

But it’s getting harder and harder to make ends meet on my current salary. I’m active in the Fight for \$15 because I believe it’s what we deserve. We go the extra mile for our patients and all we’re asking for is a living wage.”

**Carmen Lopez,
homecare worker**

¹⁰ Howes, Candace, *Raising Wages for Home Care Workers: Paths and Impediments*, p. 255 (February 2014);

Bureau of Labor Statistics as of May 2014 data.

¹¹ Howes, Candace, *Raising Wages for Home Care Workers: Paths and Impediments*, at 256

¹² Bureau of Labor Statistics as of May 2014 data.

¹³ Ibid.

¹⁴ Supra at 258.

¹⁵ Ibid.

¹⁶ *The Health Care Workforce in New York*, pg. 18, The Center for Health Workforce Studies, June 2014.

¹⁷ Bureau of Labor Statistics as of May 2014 date.

¹⁸ Id. At 33.

¹⁹ Bureau of Labor Statistics as of May 2014 data.

\$24,410.²⁰ In New York City, one out of every seven low wage workers are employed as a home care aide.²¹

In New York State, there are approximately 110,000 direct support professionals. These are individuals who provide direct care to people with developmental disabilities or mental health issues. These professionals could include job coaches, or direct care counselors. BLS does not track all these titles, nor does it have a generic direct support professional’s line, with these workers generally falling under the home health or personal care aide, or certified nursing assistant lines in the BLS report. While it’s harder to accurately determine what the average wage is for these care workers separately from the more general personal care and home health aides categories, a NYSACRA report did estimate that the average base wage for direct service professionals was around \$11.17 an hour. Also, based on data compiled by the Direct Care Alliance, we can estimate that nationally the average direct care wage is approximately \$10 an hour. In New York we have heard stories about hard-working direct support professionals that love what they do but due to low wages, must work a second job or go into a different profession.

New York ranks 20th in the nation for average wage for direct care workers over all, 29th for home health aides and 9th for personal care aides. Although we are not in the bottom of the nation for paying these workers, we believe that New York can do better.

National Average Wage Data for Home Health Aides

	Rank	Home Health	Average DC Wage	All Professions
Alaska	1	\$ 13.82	\$ 14.23	\$ 21.73
North Dakota	2	\$ 13.45	\$ 13.74	\$ 17.75
Wyoming	3	\$ 13.23	\$ 11.79	\$ 18.16
Connecticut	4	\$ 13.14	\$ 12.52	\$ 20.67
Massachusetts	5	\$ 12.86	\$ 12.61	\$ 21.48
New York	29	\$ 10.37	\$ 10.68	\$ 19.65
Tennessee	46	\$ 9.00	\$ 8.96	\$ 15.02
Georgia	47	\$ 8.94	\$ 9.00	\$ 15.79
Texas	48	\$ 8.89	\$ 8.70	\$ 16.18
West Virginia	49	\$ 8.63	\$ 8.60	\$ 14.14
Arkansas	50	\$ 8.56	\$ 8.55	\$ 14.01

Source: Paraprofessional Healthcare Institute, 2015.

²⁰ Ibid.

²¹ PHI Medicaid Redesign Watch #1, Wage Parity For Home Care Aides, pg. 1.

National Average Wage Data for Personal Care Aides

	Rank	Personal Care ¹	Average DC Wage	All Professions
Alaska	1	\$ 14.63	\$ 14.23	\$ 21.73
North Dakota	2	\$ 14.02	\$ 13.74	\$ 17.75
Massachusetts	3	\$ 12.36	\$ 12.61	\$ 21.48
Delaware	4	\$ 12.06	\$ 11.83	\$ 18.03
Hawaii	5	\$ 11.92	\$ 11.95	\$ 18.01
New York	9	\$ 10.98	\$ 10.68	\$ 19.65
Alabama	46	\$ 8.57	\$ 8.82	\$ 14.83
West Virginia	47	\$ 8.57	\$ 8.60	\$ 14.14
Arkansas	48	\$ 8.53	\$ 8.55	\$ 14.01
Texas	49	\$ 8.51	\$ 8.70	\$ 16.18
Mississippi	50	\$ 8.46	\$ 9.37	\$ 13.76

Source: Paraprofessional Healthcare Institute, 2015.

1: PCA data incorporates information for Direct Support Professionals which accounts for variances from PCA only BLS data.

National Average Wage Data for Direct Care Workers

Rank	State	Personal Care ¹	Home Health	Average DC Wage	All Professions
1	Alaska	\$ 14.63	\$ 13.82	\$ 14.23	\$ 21.73
2	North Dakota	\$ 14.02	\$ 13.45	\$ 13.74	\$ 17.75
3	Massachusetts	\$ 12.36	\$ 12.86	\$ 12.61	\$ 21.48
4	Connecticut	\$ 11.89	\$ 13.14	\$ 12.52	\$ 20.67
5	Hawaii	\$ 11.92	\$ 11.97	\$ 11.95	\$ 18.01
20	New York	\$ 10.98	\$ 10.37	\$ 10.68	\$ 19.65
46	Alabama	\$ 8.57	\$ 9.07	\$ 8.82	\$ 14.83
47	Louisiana	\$ 8.58	\$ 9.03	\$ 8.81	\$ 15.20
48	Texas	\$ 8.51	\$ 8.89	\$ 8.70	\$ 16.18
49	West Virginia	\$ 8.57	\$ 8.63	\$ 8.60	\$ 14.14
50	Arkansas	\$ 8.53	\$ 8.56	\$ 8.55	\$ 14.01

Source: Paraprofessional Healthcare Institute, 2015.

1: PCA data incorporates information for Direct Support Professionals which accounts for variances from PCA only BLS data.

Why Higher Wages are Needed:

A. To Prevent Employee Turnover

Studies have shown that turnover rates in direct care occupations are elevated by low wages and benefits²² and actually reduce the quality of care that is provided to consumers. According to a study by the North Carolina Justice Center, “Consumers of care also pay for turnover in decreased stability and quality of care. Care is intimate and any change in caregiver means losing familiarity and trust. Moreover, consistency allows for better communication and follow-through, increases the likelihood that subtle changes in health will be noticed, and allows for predictability.”²³

²² Howes, at 259.

²³ Sabine Schoenbach, “Fair Pay for Quality Care,” North Carolina Justice Center
<http://www.ncjustice.org/sites/default/files/CAREGIVERS-Fair%20Pay%20for%20Quality%20Care2.pdf>

Reports have shown that high turnover rates have cost the nation around \$4.1 billion per year. Providers in the developmental disability field have estimated that turnovers cost agencies \$5,000 in trainings to hire new employees. They have also estimated that the current vacancies have resulted in 2.9 million overtime hours²⁴. Employer costs also increase because of the “need for continuous recruitment and training.”

If these providers are now forced to compete at a significant wage disadvantage with fast food restaurants, then the problem will only get much worse. After all, working at a fast food restaurant is significantly less stressful than being a direct care provider. Conversely, turnover rates can be reduced by higher wages and benefits. Direct care workers’ wages need to be increased not only because of the economic hit to the state and employers for training, but to prevent leaving these providers at a complete disadvantage in attracting workers and also to increase the quality of care that is provided to New York’s most vulnerable populations.

Numerous studies link higher wages and benefits with higher retention in the direct care sector.²⁵ The PHI report showed that turnover rates in the then-better compensated New York City home attendant program were 11-15%, compared to 25-50% in other home care programs.²⁶ And a 2006 Center for Health Workforce Studies report found that many home health care agencies reported turnover rates as high as 61%.²⁷ Similarly, the University of Minnesota estimated that the average turnover for DSPs in NY is 25% annually. The reasons for the difficulty in retaining home care aides and other direct care workers is primarily due to low wage and lack of mobility.²⁸



“Homecare workers are like family for our clients, we devote ourselves to giving them dignity, and we deserve \$15 an hour. We just want a fair shot so we don’t have to work three or four jobs and we can spend time with our children.”

**Lisa Johnson,
homecare worker**

²⁴ *Supporting People with Developmental Disabilities: The Impact of Low Wages and the Minimum Wage Debate on the Direct Support Professionals Workforce*, The report is a joint publication of the Alliance of Long Island Agencies (ALIA), Cerebral Palsy Associations of New York State, the Developmental Disability Alliance of Western New York (DDAWNY), the Inter Agency Council of Developmental Disabilities Agencies (IAC), The New York State Association of Community Residential Agencies (NYSACRA), NYSARC, Inc., and New York State Rehabilitation Association (NYSRA) (December 2015), pg. 7. Report Available at:

http://www.nysarc.org/files/5914/5218/5547/Minimum_Wage_Issue_Paper_FINAL_12-15-15.pdf

²⁵ *Determinants of Longer Job Tenure Among Home Care Aides: What Makes Some Stay on the Job While Others Leave?* Butler, S, Brennan-Ing, M, Wardamasky, S, Ashley, A. *Journal of applied gerontology : the official journal of the Southern Gerontological Society* 03/2014; 33(2):164-88. DOI: 10.1177/0733464813495958

²⁶ PHI Medicaid Redesign Watch #1, Wage Parity For Home Care Aides, pg. 2.

²⁷ *The Home Care Provider Workforce in New York*, Center for Health Workforce Studies, p.14 (August 2006).

²⁸ Ibid. at 16.

B. Lower the Dependence on Public Assistance

In addition to high turnover rates and the consequences for the quality of care, the low wages of this workforce mean that many of these employees require public assistance to survive. And as seen with other industries, particularly the fast food industry, when employee wages are below a decent standard of living, taxpayers end up making up the difference through public benefit programs, such as Medicaid or SNAP benefits. It's estimated that 56% of direct care workers in New York received some manner of public assistance during the time period between 2011 and 2013. During that same period, 48% of direct care workers reported receiving Medicaid benefits, and 30% reported receiving Food and Nutritional supplemental benefits ("SNAP").²⁹



"I'm currently working two jobs, yet I'm still behind on my rent, not to mention other pressing costs like utilities and phone bills.

I have a daughter living in Florida who's trying to attend nursing school, and it pains me I can't help her more."

Mary Ellen Gibbs,
homecare worker

A recent article cited that New York ranks first in public assistance spending per fast food worker at \$6,800, costing the state \$700 million, though this cost included the federal and state costs of these programs.³⁰ According to a report from the UC Berkeley Center for Labor Research and Education³¹, during 2011-2013, the cost to New York State's own budget of providing Medicaid/CHIP, the State and local portion of the Earned Income Tax Credit (EITC) and Temporary Assistance for Needy Families (TANF) benefits to working individuals (as opposed to those on public assistance) was \$2.93 billion.³²

Previous Attempts to Raise the Wage for Health Care Workers:

There have been attempts by the state to increase wages for these workers and other direct care workers through the Home Care Wage Parity Act and a 2% Cost of Living Adjustment (COLA). However, the Wage Parity Act only extends to New York City, Long Island, and Westchester. Enacted in the 2011-12 state budget, under this act many home health care aides and personal care aides still have a base wage of just \$10.00 per hour.

One of the reasons for enacting the Home Care Wage Parity Act was to ensure that individuals who provide direct care as either a personal care aide or a home health aide received similar compensation as the state transitioned to managed care.³³ Historically, personal care aides (or

²⁹ PHI State Data Center available at: <http://phinational.org/policy/states/new-york/> Last accessed: February 5, 2016.

³⁰ Found at <https://www.governor.ny.gov/news/governor-cuomo-instructs-state-labor-department-convene-wage-board-investigate-and-make>; UC Berkeley. Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry. Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson, Jeremy Thompson. 2013

³¹ Jacobs, Ken, Perry, Ian, & MacGillvary, Jenifer. *The Public Costs of Low Wages in new York*, UC Berkeley Center for Labor Research and Education (January 2016), pg. 4, available at: <http://laborcenter.berkeley.edu/pdf/2016/Public-Cost-of-Low-Wages-in-New-York.pdf>

³² NELP/FPI, *Governor Cuomo's Call for Raising New York's Minimum Wage to \$15 Statewide*, Fact Sheet ,(Sept. 2015) pg. 5. Available at: <http://www.nelp.org/content/uploads/NELP-FPI-Fact-Sheet-New-York-15-Statewide-Minimum-Wage.pdf>

³³ PHI Medicaid Redesign Watch #1, Wage Parity For Home Care Aides ,pg. 2

home attendants in New York City) were covered by the living wage law of New York City, however, since home health aides did not contract directly with the City their wages were substantially lower. Prior to the enactment of the law personal care aides received \$10.00/hour plus benefits while home health aides, who are required to have longer training, were paid only \$8.00 an hour.³⁴



I work at the Puerto Rican Family Institute, and I've worked in homecare for 13 years. In working with the developmentally disabled, we do quite a bit. We prepare food for them, take them out on community inclusion events, administer medication, and also do recreation with them as well. It can be a challenge working with this type of client. They can suffer from mood swings, which makes them difficult to deal with.

Whatever the difficulties, I love the work. I love working with people. This job may not be for everyone, but it's for me. That's why I feel we should be making more than we are now. Right now I make \$11.10. That's while the price of almost everything has gone up. We have to work a lot of hours just to see anything. I have a daughter. She's 19 and in college. I took out a loan for her because I don't want her to have the burden hanging over her. I'm making payments, but there are times I don't have food in my house. If I have to send her money, it's hard. I tried to get on SNAP or some form of public assistance. They told me I make too much money.

I support the Fight for \$15. I hope all of us in this field can make \$15, but not just us. Fast food workers and others deserve to get this raise in their pay. If we win, the first thing I'll do is put the extra money toward savings. I could put money to the side. Right now I just live paycheck to paycheck.

Shelia Gibson, direct care worker

The Wage Parity Act establishes a minimum wage (“worker parity”) level to be paid to Medicaid-funded home care workers in New York City (starting March 1, 2012) and in Westchester and Long Island (starting March 1, 2013).³⁵ The law sets the “total compensation” that must be provided to an employee. Total compensation can be satisfied “entirely through wages, or through a combination of wages, additional wages, and supplemental wages.”³⁶ Base wages are defined as the minimum amount of the “total compensation” that must be paid directly to workers as regular hourly wages.³⁷ Supplemental wages are the amount of “total compensation” that employers may satisfy indirectly, for example by providing health insurance.³⁸ Additional wages are the amount of the “total compensation” that employers may satisfy through additional payments directly to the workers for hours not worked, such as for paid leave.³⁹

³⁴ Ibid. pg. 2

³⁵ Source: HCA Workers in the Consumer-Directed Personal Assistance Program are exempt.

³⁶ Wage Parity 2015 Rates, Official Notice of Home Care Worker Wage Parity Minimum Rate of Total Compensation in NYC- Update 11.25.14

³⁷ Wage Parity 2015 Rates, Official Notice of Home Care Worker Wage Parity Minimum Rate of Total Compensation in NYC- Update 11.25.14

³⁸ Ibid.

³⁹ Ibid.

The Department of Health's official notice of minimum rate of total compensation requires New York City's total compensation for home care workers to be \$14.09 per hour. The \$14.09 includes \$10.00 per hour as the base wage, \$1.69 in additional wages, and \$2.40 in supplemental wages.⁴⁰ For Nassau, Suffolk or Westchester county, the new mandated wage for all periods on or after March 1, 2016, is the lesser of (i) the minimum home care aide total compensation rate of \$13.22, consisting of a base wage of at least \$10.00 per hour, and supplemental (benefit) wages of up to \$3.22 per hour or; (ii) the total compensation mandated by the living wage law.⁴¹

Whereas the Wage Parity law requires New York City, Westchester, and Long Island to provide certain total compensations to their workers, upstate providers were not subjected to this law. Upstate New York follows the same trend as nationally: even though personal care aides and home health aides are among the top occupations in the health care industry in a region, they are among the lowest paid. For example, in the Southern Tier in 2013, personal care aides and home health aides were in the top five for number of jobs at 2,440 and 1,730 respectively.⁴² Yet these occupations ranked in the bottom two for pay earning \$12.61 per hour and \$11.96 an hour.⁴³ In Central New York, personal care aides and home health aides were again in the top five for number of jobs with 4,220 and 1,940 respectively, and again these two occupations were among the lowest paid with \$11.56 and \$11.69 per hour.⁴⁴

The 2006 enacted budget included a cost of living adjustment for human service providers. However, due to economic hardships this cost of living adjustment was delayed year after year. In 2014, the Legislature included in the final enacted budget a 2% COLA for certain direct care and direct support staff. This 2% was to be used specifically for salary. This COLA impacted approximately 100,000 direct care workers, who as result would see their salaries increased. What is clear is that while these previous attempts at raising the wages of workers were welcomed and necessary, they have not done enough to lift the majority of these workers out of the low wage sector. Clearly a direct increase of the minimum wage is necessary to bring about real change to the wages of this workforce.

Analysis of Worker Benefits from Raising the Wage:

As we stated, there are 288,770 workers classified as home health aides and personal care aides in the BLS report. The personal care aides category includes fully privately funded personal care aides, individuals that tend to make higher wages than those personal care aides working to service populations receiving publicly funded or subsidized health services. There are approximately 14,222 of these aides in New York. Given that their wages tend to be higher than those of aides working in the publicly subsidized health system and that private insurance would cover their increases, we segregated this population from our analysis. In doing so, the average weekly wage of the remaining personal care aides also declined. If we assume a straight increase in the wages for the 274,548 New Yorkers who are recorded as home health aides and personal care aides from their current levels to \$15 per hour, then we would see these individuals get a combined increase of **\$2.29 billion** dollars in wages, with home health aides making up for **\$1.3**

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² *The Health Care Workforce in New York: Trends in the Supply and Demand for Health Workers*, The Center for Health Workforce Studies, p.152

⁴³ Ibid. at 153.

⁴⁴ Ibid. at 80-81.

billion and personal care aides making up **\$991 million** more. These would be the gross income gains that this workforce would see. A percentage of this gross amount would have to be paid by these workers back in income and payroll taxes, or would lead to a diminishing of the worker’s Earned Income Tax Credit amounts from the federal and state governments, and from the NYC EITC if they live in New York City. This can lead to a diminishing of gross earnings of approximately 40%⁴⁵. This would mean that the net income increase for this group would be **\$1.372 billion**. This equates to an average net benefit for home health aides of **\$5,304** annually and for the personal care aides a net benefit of **\$4,649** annually. The average net benefit for these workers would be **\$4,999**. This IDC estimate is in line with estimates from EPI and NELP on the wage benefits workers in this industry.⁴⁶

Gross Wage Increase:

Employee Category	Total Workers	Current Average Hourly Wage	Current Average Annual Income	Hourly Increase with a \$15/hr. Min. Wage	Gross Increase in Annual Earnings	Total Additional Gross Wage Compensation
home health aides	146,550	\$10.75	\$22,360	\$4.25	\$8,840.00	\$1,295,502,000
personal care aides	127,998	\$11.27	\$23,451	\$3.73	\$7,749.16	\$991,876,413
Total:	274,548					\$2,287,378,413

Benefits to the State for Caring for our Caregivers:

As we noted before, low wage force workers not only to hold multiple jobs but also to apply for public benefits and assistance and that has costs for the State, to the tune of \$2.93 billion for the State and Local share of Medicaid and TANF, as well as our State and New York City EITC programs. The increase in wages places many workers beyond the eligibility thresholds for many of these programs. While average wages for home health and personal care aides in New York are currently above \$10.10/hr, the chart included below examines the possible impacts of increases in hourly wages on SNAP and Medicaid enrollments in New York.

⁴⁵ Estimate is based on calculations from the New York State Senate, *Staff Analysis of the FY17 Executive Budget*, (also known as the White Book), pg. 207, available at: http://www.nysenate.gov/sites/default/files/articles/attachments/staff_analysis_fy17_executive_budget-whitebook_2016.pdf

⁴⁶ Cooper, pg. 18, has 311,535 workers in the Home-based and residential care, social assistance, and child care sectors benefitting directly from an increase in wages to \$15, with an average benefit of \$4,800, leaving the direct benefits at \$1.495 billion. In NELP’s *Giving Caregivers a Raise: The Impact of a \$15 Wage Floor in the Home Care Industry*, (February 2015) (available at: <http://www.nelp.org/content/uploads/2015/03/Giving-Caregivers-A-Raise.pdf>) the estimate is that a \$15/hour wage would raise earnings for these workers by \$16.5 billion nationwide. As NYS accounts for approximately 8% of national economic activity, 8% of this amount is \$1.32 billion.

Impact From Minimum Wage Increases on Public Assistance Eligibility

Income	Current Average Home Health Aide Wage	SNAP Income Guideline: Family of 2	Current Average Personal Care Aide Wage	Medicaid: 135% FPL Family of 2	Proposed Wage Levels			
Hourly	\$ 10.37		\$ 10.98		\$ 12.00	\$ 13.00	\$ 14.00	\$ 15.00
Monthly	\$ 1,659	\$ 1,705	\$ 1,757	\$ 1,770	\$ 1,920	\$ 2,080	\$ 2,240	\$ 2,400
Annually	\$ 19,910	\$ 20,460	\$ 21,082	\$ 21,236	\$23,040	\$24,960	\$26,880	\$28,800

Estimating the level of savings the state will realize from increasing wages is a complex process, as eligibility for these programs is based not only on income, but also household size. That said, we can try to make some rough estimates. The Berkeley Institute on Labor and Employment issued a report in 2014 that estimated that each increase of the minimum wage by 10% would lower the eligible population for Medicaid by 0.31%. If we use this metric, then we estimate that the state and local share of Medicaid would decline by \$330 million, based on the proposed wage increase.⁴⁷

Higher wages for workers also leads to greater economic demand. As individuals see their wages increase, they begin to buy things they needed or wanted, but could never afford before. This increased activity leads to higher revenues for businesses and a general expansion of the economy, which is generally measured using the metric of Gross Domestic Product (GDP). The expansion of GDP leads to the creation of new jobs, as businesses hire more workers to meet the increased demand, or enter into new areas of business because they anticipate better consumer spending. According to estimates laid out in the NELP’s “*Giving Caregivers a Raise*”⁴⁸ report, the increase in wages of \$1.372 billion for just this one population of workers would lead to an increase in state GDP of between **\$312 million** and **\$535 million**, depending on how much money these workers chose to save, as opposed to spend in services and goods. This additional economic activity could lead to the creation of an additional **2,345** to **4,022** jobs in the state.

In addition, a certain portion of these increased wages will be recaptured as income tax revenue. The effective tax rate for workers in this income range is around 4%. This means the state would see income tax revenues increase by approximately \$90.5 million. There is also the tax gains from the increased economic activity and new jobs created from the increase in spending by these workers. According to NYSDOL, the statewide average annual salary or wage is \$56,690 currently⁴⁹. An individual making this amount will on average pay \$2,790 in state income taxes in New York. Given our estimates of how many jobs might be created due to the increase in economic activity we would estimate that state income taxes would increase by between \$6.5 million and \$11.2 million dollars. This means that the wage increase for these workers would bring in an additional \$97 to \$101.7 million in state income tax revenues. These possible new revenues don’t take into account the reality that many workers would no longer be eligible for

⁴⁷ Found at <http://www.irl.berkeley.edu/research/minimumwage/min-wage-medicaid-report.pdf> ; A Win-Win for Working Families and State Budgets: Pairing Medicaid Expansion and at \$10.10 Minimum Wage. West, Reich. 2014. Calculation also used data from the NYS Department of Health’s report on Medicaid Beneficiaries for Categories of Service by Category of Eligibility - Calendar Year 2014, available at: https://www.health.ny.gov/statistics/health_care/medicaid/quarterly/aid/2014/cy/beneficiaries.htm

⁴⁸ *Giving Caregivers a Raise*, pg. 5.

⁴⁹ NYSDOL statistics, available at: <https://labor.ny.gov/stats/lswage2.asp>

the EITC, which means that not only would the state see higher income tax revenues, but it would lower its tax expenditures.

Raising the Wages for our Caretakers Responsibly:

As we noted previously, the public sector is the primary source of funding for health care services. Programs like Medicare and Medicaid are central for funding home health services and services for disabled individuals. In the field of providing direct support for individuals with disabilities, up to 95% of the funding comes from the Medicaid program. An increase in wages is directly correlated to an increase in expenses for service providers, increased expenses that the public sector needs to help cover. The experience from the Home Wage Parity Act serves as an example. After initial enactment of the Home Care Wage Parity Law, as discussed above, due to the increased costs associated with the higher wages, the state had to provide funding for these providers in the 2014-15 enacted budget. The final enacted budget for 2014-15 included \$380 million to adjust the rates, in order to alleviate the impacts the wage parity law.

Once fully phased-in statewide by 2021 the home health and personal care aides in the state stand to see their gross wages increase by \$2.3 billion, based on our estimates. These higher wages translate into higher costs for providers, though the State of New York will not be responsible for the full weight of this. Some healthcare providers will be able to bill private insurance or fully federal programs like Medicare for the higher costs. Those providers who depend on Medicaid as their primary, if not sole source of payments, will require the state to increase its reimbursements in order to pay the higher wages since the cost of Medicaid is split equally between the federal, state and local governments here in New York.

We noted above that higher wages for low wage workers will lead to lower expenses and increased economic activity, which will lead to higher tax revenues and decreased tax expenditures, but these gains to the State are unlikely to fully pay for the higher reimbursements that the state will have to provide to healthcare providers, particularly those who depend on Medicaid. The state must recognize that improving the lives of our low wage workforce, especially for those workers tasked with taking care of our most vulnerable populations, is an investment in our future no different from an investment on structures of steel or concrete. Making sure that providers are compensated for the higher wages is the investment the state will be making in order to realize the benefits that all New Yorkers will see from this policy. Giving hundreds of thousands of New Yorkers a raise, creating tens of thousands of new jobs, and improving the quality of the healthcare we provide to our most needy citizens are goals that are more than worth the additional public dollars that would need to be spent by 2021, which is when this increase would be fully implemented. As such, the IDC not only fully supports raising the wage to \$15 per hour, but it also understands the state's responsibility and calls on the state government to do its part by fully compensating providers for this wage increase as it gets phased in.

Conclusions:

The IDC strongly believes that those workers tasked with the difficult and rewarding task of taking care of our most vulnerable citizens should be paid a decent wage, and certainly not less than those who chose to work at fast food restaurants, who now, based on the actions of the NYSDOL, will be making \$15/hour minimum in New York City by 2018 and the rest of the state

by 2021. For this reason, the IDC supports increasing wages, particularly for home health and personal care aides, to \$15 per hour minimum as well using a similar schedule of wage increases.

Based on our own estimates, increasing the minimum wage for these workers will lead to a net benefit for them of **\$4,999 annually**, and a total net increase for these workers of approximately **\$1.372 billion**. This increase in wages will give these workers an opportunity to save more, as well as to spend more on goods and services they sorely lack. This additional economic activity would lead to an increase in GDP statewide of **\$312 to \$535 million**, leading to the creation of between **2,345 and 4,022** new jobs and increases in State income tax revenue of between **\$97 and \$101.7 million**. It will also save an estimated **\$330 million** in state and local Medicaid costs as workers' incomes exceed Medicaid eligibility thresholds.

The IDC also strongly believes that the public sector, as the primary source of funding for healthcare services, must increase its contributions to providers in order to prevent cuts in services. The costs to the public sector of increasing the minimum wage will be substantial, but so will the benefits. Higher wages for home health and personal care aides in particular will increase retention, decrease turnover, and improve the overall quality of the workforce. This will mean an improvement in the service quality for New York's most vulnerable. In addition, the higher wages will lead to lower state spending for public benefits and to greater economic activity and higher state tax revenues. The state must view an increase in wages as an investment in New York's future that is as important as investing in physical assets like roads, bridges, and mass transit. At the end, the greatest asset that New York has is its residents, and ensuring that every New York resident has a decent wage is one of the most important and fundamental investments that this state government can make.