

What Increases in the Minimum Wage Would Mean for Assisted Living and CCRCs

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Acknowledgement

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- RTI International—an independent, nonprofit institute that provides research, development, and technical services

Introduction

- Increasing concern about stagnant incomes of low-wage and middle-income workers
- Many LTSS workers are low-wage workers (median wage of personal care workers: \$10.09 per hour in 2015)
- Proposals to raise minimum wage to \$10, \$12, and \$15 per hour from current federal minimum of \$7.25 per hour

Core Research Questions

- What would be impact on residential care of raising the minimum wage to \$10, \$12, and \$15 per hour?
 - Number, proportion, and type of AL & CCRC workers who would be affected by a minimum wage increase of different amounts
 - Aggregate impact of wage increases on AL and CCRC labor costs
 - How might providers respond to these increase costs?

Data Sources and Methods

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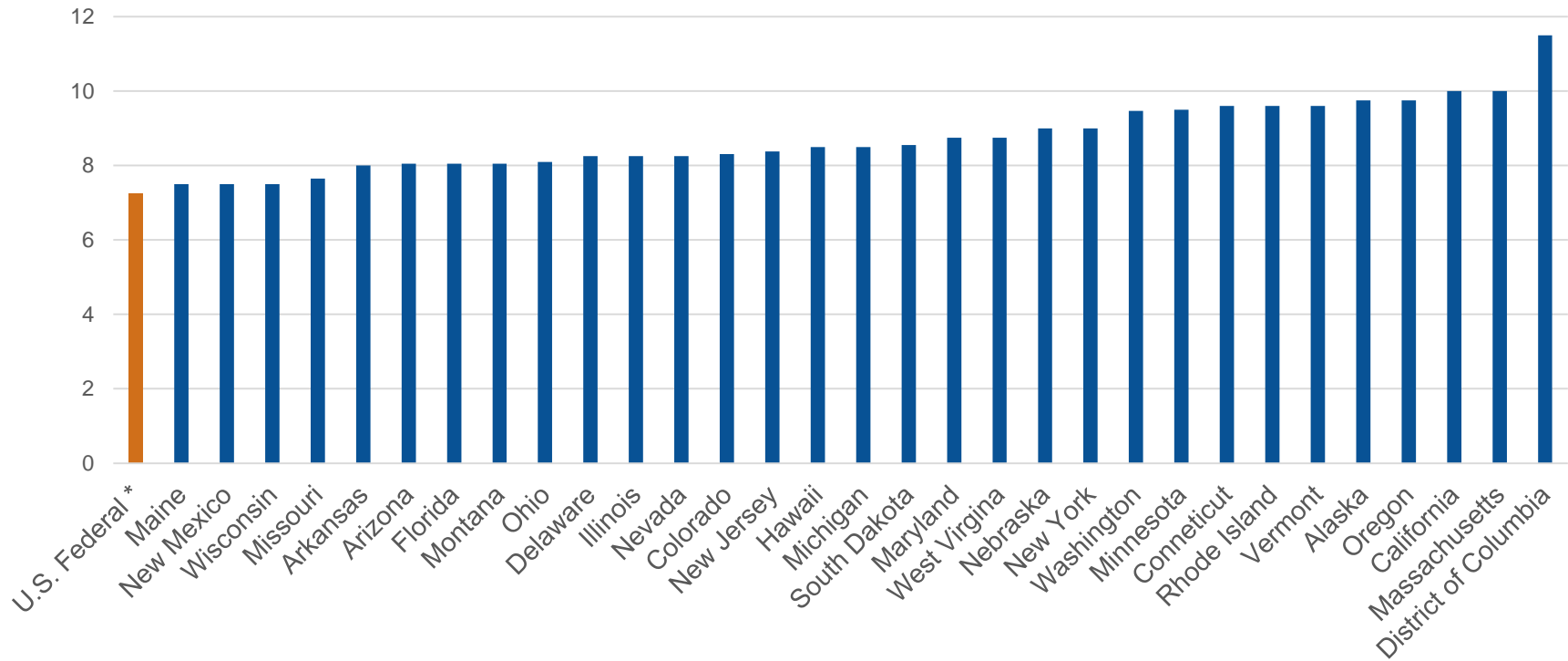
- *U.S. Bureau of Labor Statistics*—publishes data on number of people employed and wages, by labor categories, by state
 - Data available on “Continuing Care Retirement Communities and Assisted Living Facilities for the Elderly” on national and state levels
 - BLS publishes the number of workers and hourly wages specific to CCRCs & ALs at the 10, 25, 50, 75, and 90 percentiles, but not in between and not at the 100th percentile

Data Sources and Methods (cont.)

- Estimated missing hourly wages and missing number of workers through linear interpolation
- National estimates, but also examined impact for selected states with large AL industry—California, Florida, Georgia, Michigan, New York and Texas

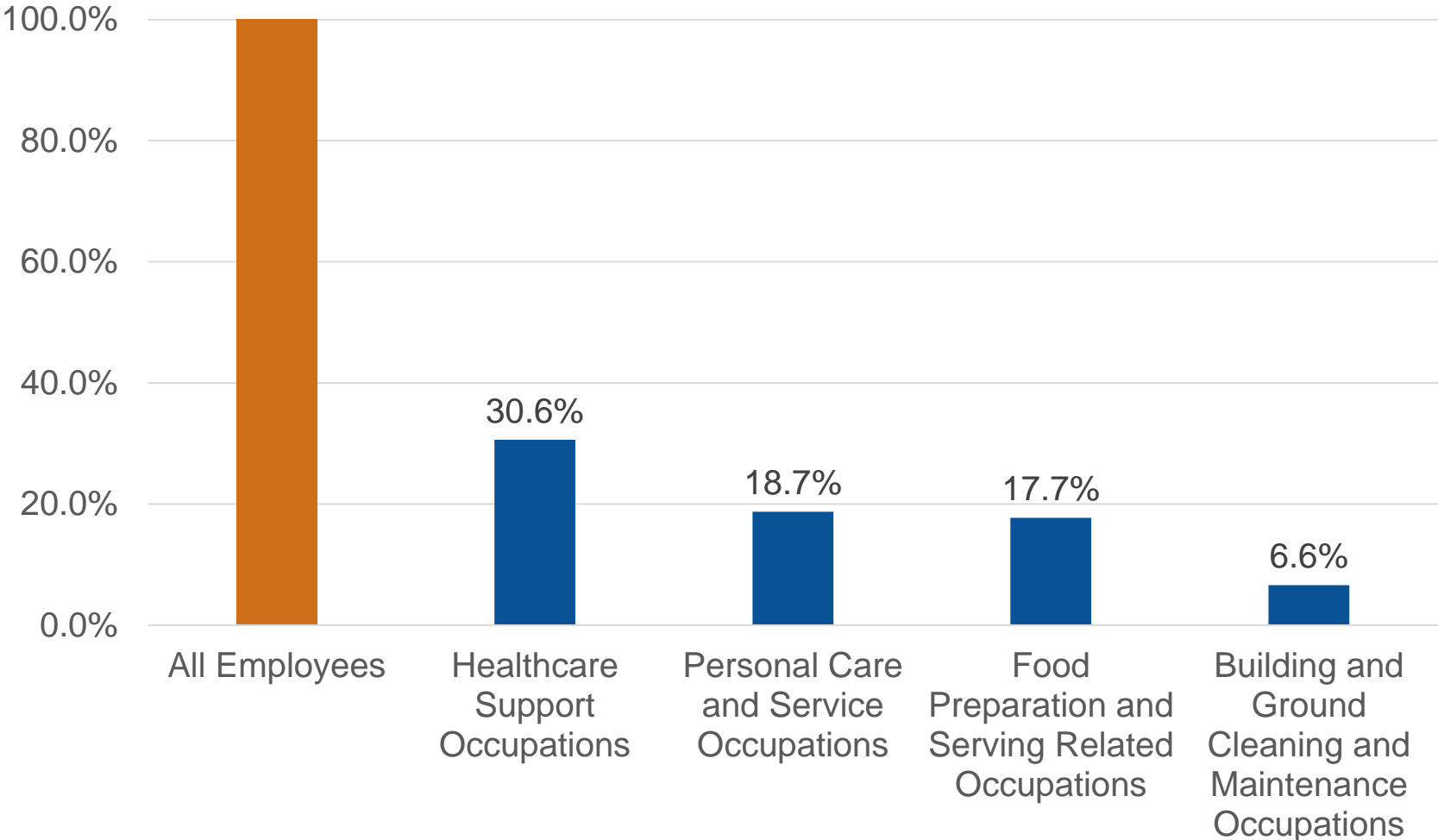
Background

State Minimum Wages, August 2016

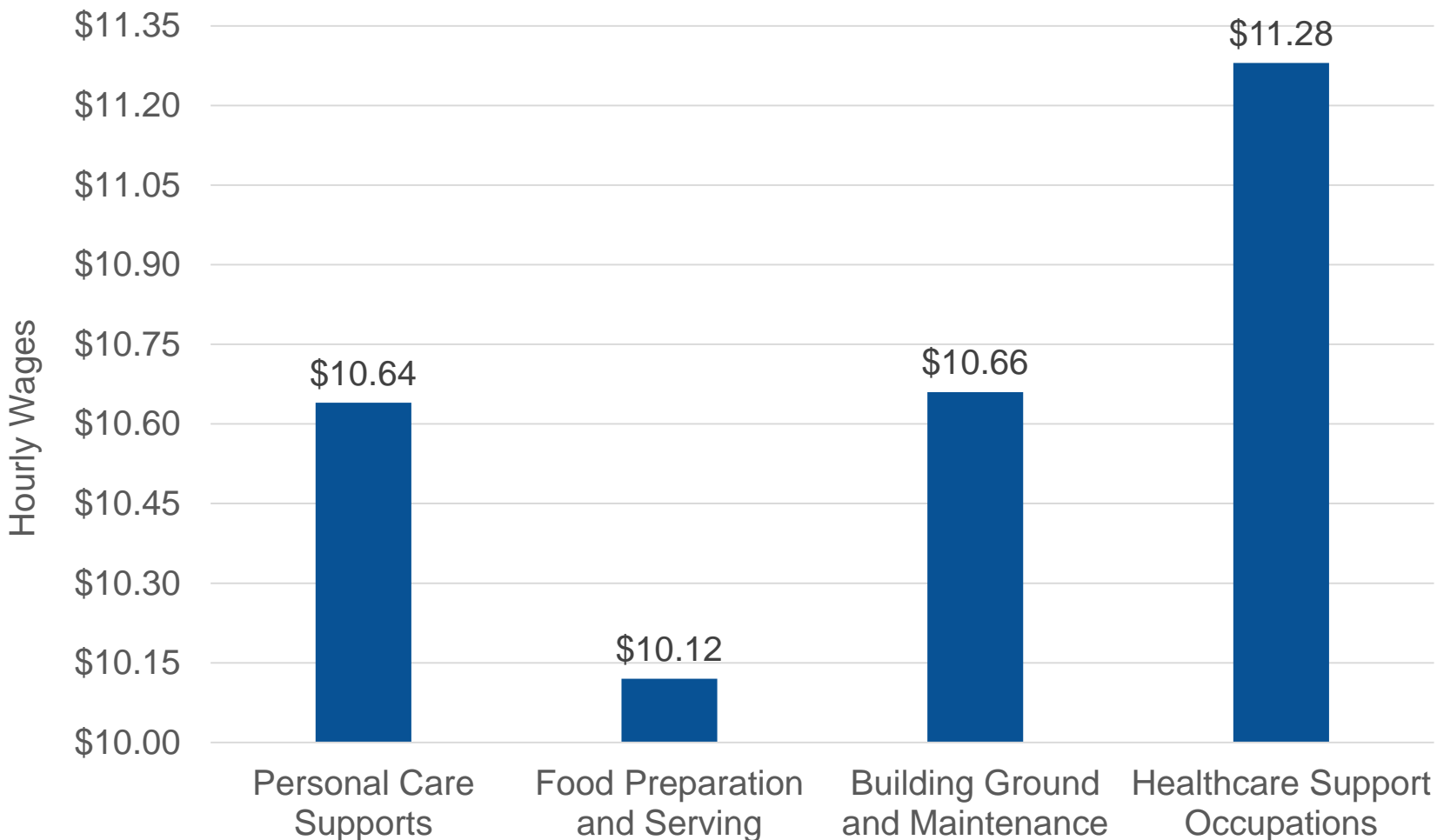


*Includes Alabama, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, New Hampshire, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Virginia

Total Number of Workers by Key Labor Category in ALs and CCRCs



National Estimates of ALs & CCRC Median Hourly Wage, by Key Labor Categories, 2015



Median Wage for Personal Care Workers in ALs and CCRCs, National and Selected States, 2015

National or State	Median Wage
National	\$10.64
California	\$10.68
Georgia	\$ 9.30
Michigan	\$ 9.94
New York	\$11.53
Texas	\$ 9.24

Effects of Potential Minimum Wage Increases on ALs & CCRC Wage and Tax Expenses

Percentage of Staff That Would Require Wage Increases, 2015

Job Category	\$10	\$12	\$15
Personal Care and Service Occupations	37	70	90
Food Preparation and Serving Related Occupations	47	71	86
Building and Ground Cleaning and Maintenance Occupations	38	67	86
Healthcare Support Occupations	27	58	87

Mean Hourly Wage Increases Required to Comply with Potential Minimum Hourly Wage Increases: National, 2015

Job Category	\$10	\$12	\$15
Personal Care and Service Occupations	\$0.70	\$1.46	\$3.35
Food Preparation and Serving Related Occupations	\$0.73	\$1.76	\$3.79
Building and Ground Cleaning and Maintenance Occupations	\$0.72	\$1.53	\$3.43
Healthcare Support Occupations	\$0.65	\$1.64	\$2.80

Total Wages and Payroll Tax Increases Per Full Time Worker (2080 Hours) Per Year: National, 2015 (\$)

Job Category	\$10	\$12	\$15
Personal Care and Service Occupations	1,567	3,269	7,501
Food Preparation and Serving Related Occupations	1,635	3,941	8,486
Building and Ground Cleaning and Maintenance Occupations	1,612	3,426	7,680
Healthcare Support Occupations	1,455	3,672	6,270

Total Wages and Payroll Tax Increases Across All Workers Per Year: National (in \$ millions), 2015

Job Category	\$10	\$12	\$15
Personal Care and Service	93.7	369.9	1,091.3
Food Preparation and Serving	117.2	426.9	1,113.5
Building and Ground Cleaning and Maintenance	34.9	130.7	376.3
Healthcare Support	103.8	562.9	1,441.6
TOTAL	349.6	1,490.4	4,022.7

Percentage of staff that would require wage increases for a minimum wage of \$12, New York and Texas, 2015 (%)

Job Category	New York	Texas
Personal Care and Service Occupations	55	79
Food Preparation and Serving Related Occupations	62	76
Building and Ground Cleaning and Maintenance Occupations	58	80
Healthcare Support Occupations	56	71

Study Limitations

- Estimates depend on interpolations of wage distributions
- Possible impact of minimum wage increases on staff above minimum wage not calculated
- Only calculate costs, not benefits, such as reduction in turnover and improved quality
- Not address strategies to reduce effects of minimum wage increases

Discussion

- Advocates of raising the minimum wage argue that it will:
 - Increase income of workers
 - Reduce government expenditures on income-support programs
 - Improve workforce recruitment and retention
 - Reduce staff turnover
 - Improve quality of care

Discussion (cont.)

- Possible behavioral responses of providers:
 - Absorb cost increases by reducing profits
 - Raise prices
 - Increase efficiency so need fewer staff
 - Reduce staffing independent of efficiency
 - Reduce higher-paid staffing
 - Reduce fringe benefits
 - Reduce number of lower-paying Medicaid residents
 - Reduce non-labor expenses

Conclusions

- AL/CCRCs, like rest of LTSS, heavily dependent on low-wage workers
- AL/CCRCs likely to be significantly affected by minimum wage hikes: \$10 minimum and \$12 much less of an impact than \$15 minimum
- Impact would vary by state
- Medicaid and MLTSS rate increases might not occur

Conclusion (cont.)

- Estimate proportion of total charges (estimated to be \$30.2 billion based on National Survey of Residential Care Facilities updated to 2015):
 - \$10: 1.1%
 - \$12: 4.9%
 - \$15: 13.3%
- Momentum to increase the federal minimum wage has slowed
- State minimum wage increases remain possible

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<http://www.theceal.org/images/reports/RTI-CEAL-Minimum-Wage-Report-2017-FINAL.pdf>