Making Care Work Pay: How A Living Wage for Direct Care Workers Benefits Us All

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Research tells us …

Better pay

+ hours worked

+ new entrants

less turnover

Care recipients experience better quality care, fewer unmet care needs

Payors see reduced costs for avoidable adverse events

Employers experience fewer vacancies, lower turnover costs, higher productivity

Direct care workers experience greater financial security

Local economies benefit from additional demand, and induced employment (expenditure multiplier)

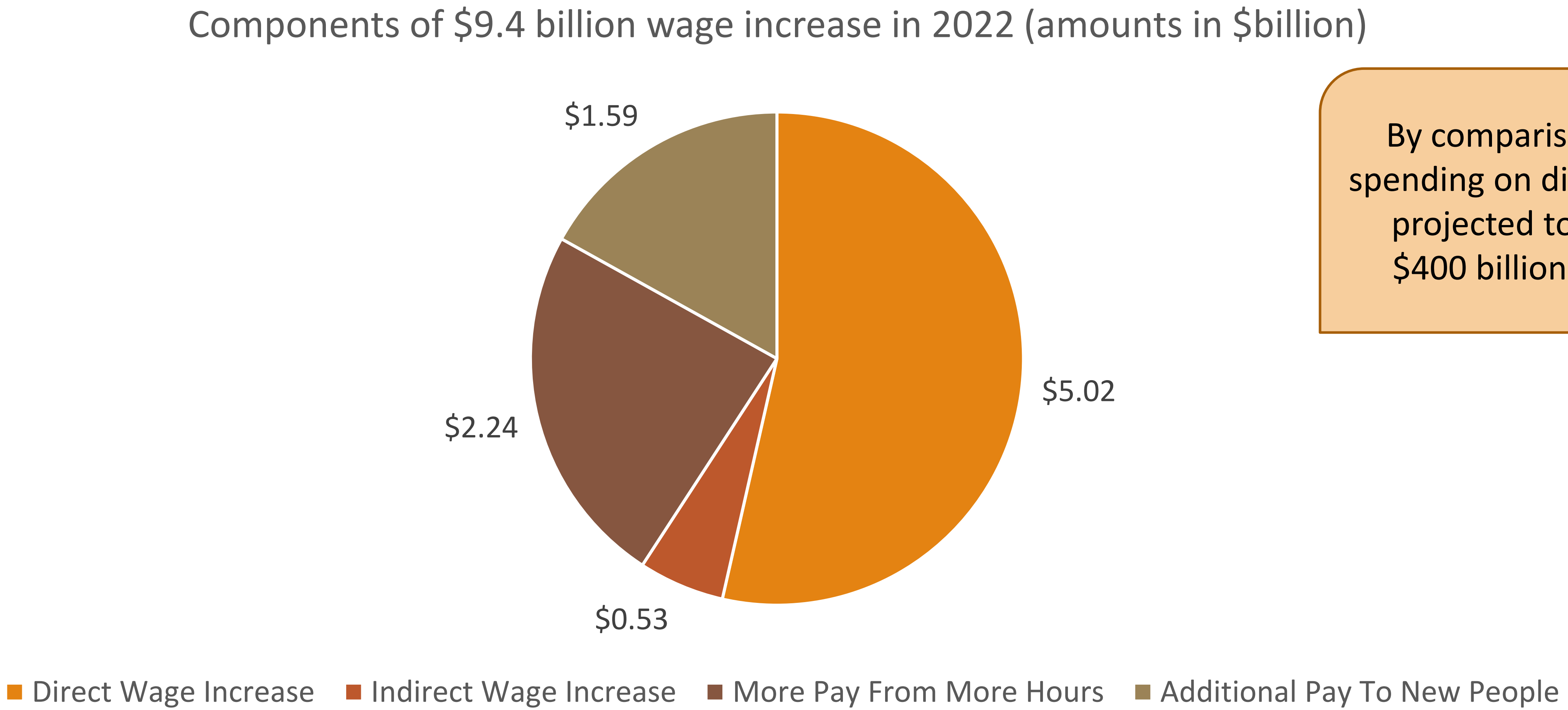
Our approach

Using standard economic simulation techniques and parameters from published research, we modeled the likely effects of higher pay for direct care workers.

We set a “living wage” (per MIT) as the new “floor” for direct care worker pay. Then we measured:

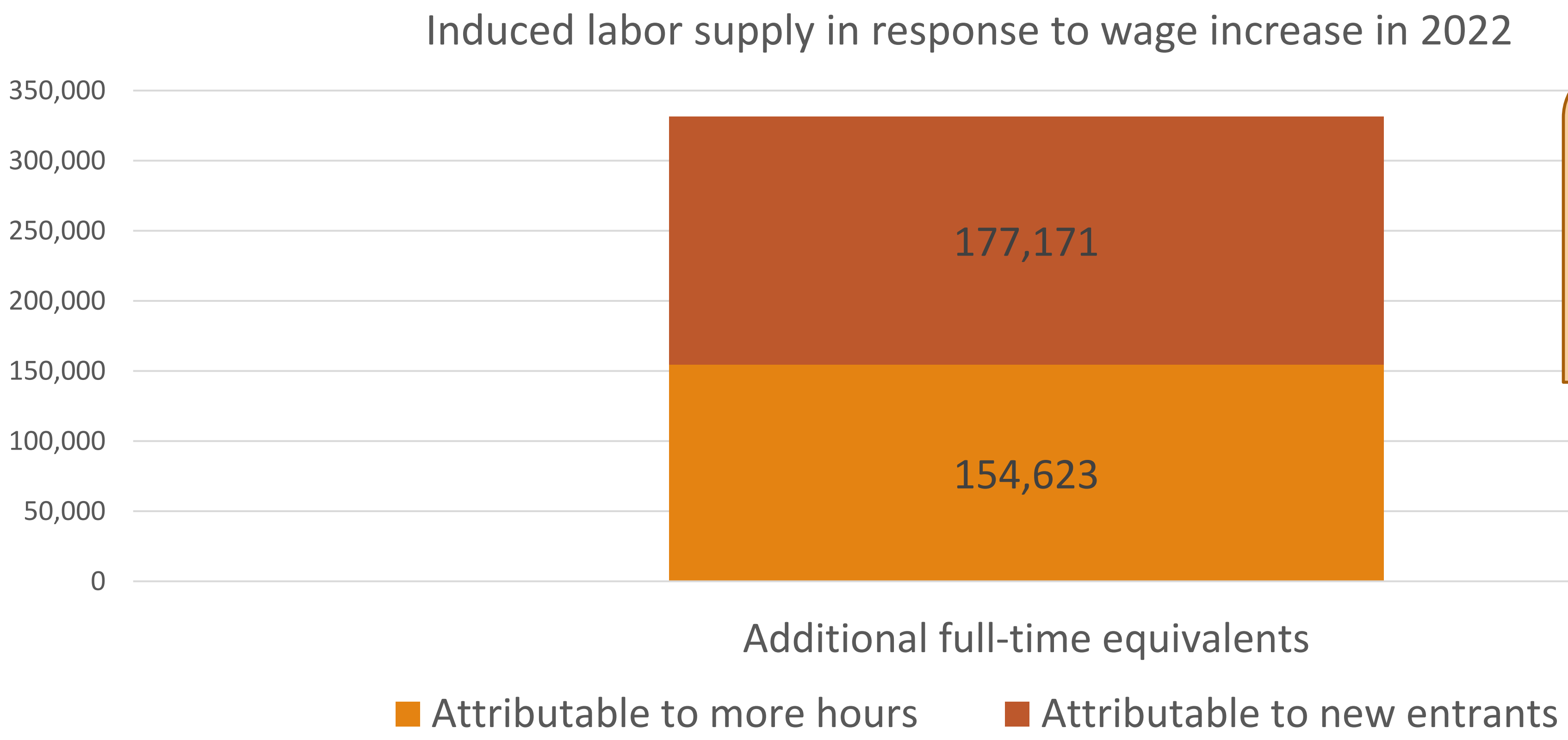
- Aggregate wage impacts
- Impacts on labor supply (hours worked and headcount) and staffing shortages
- Impacts on productivity/care quality
- Financial stability of workers in the field/reliance on public assistance
- Economic “multiplier” effects

Raising pay would give 75% of aides an average raise of 15.5% in 2022



By comparison, total spending on direct care is projected to exceed $400 billion in 2022

Raising pay would reduce labor shortages by more than 330,000 FTEs in 2022



This additional labor supply represents a 9.1% increase over baseline employment in 2022

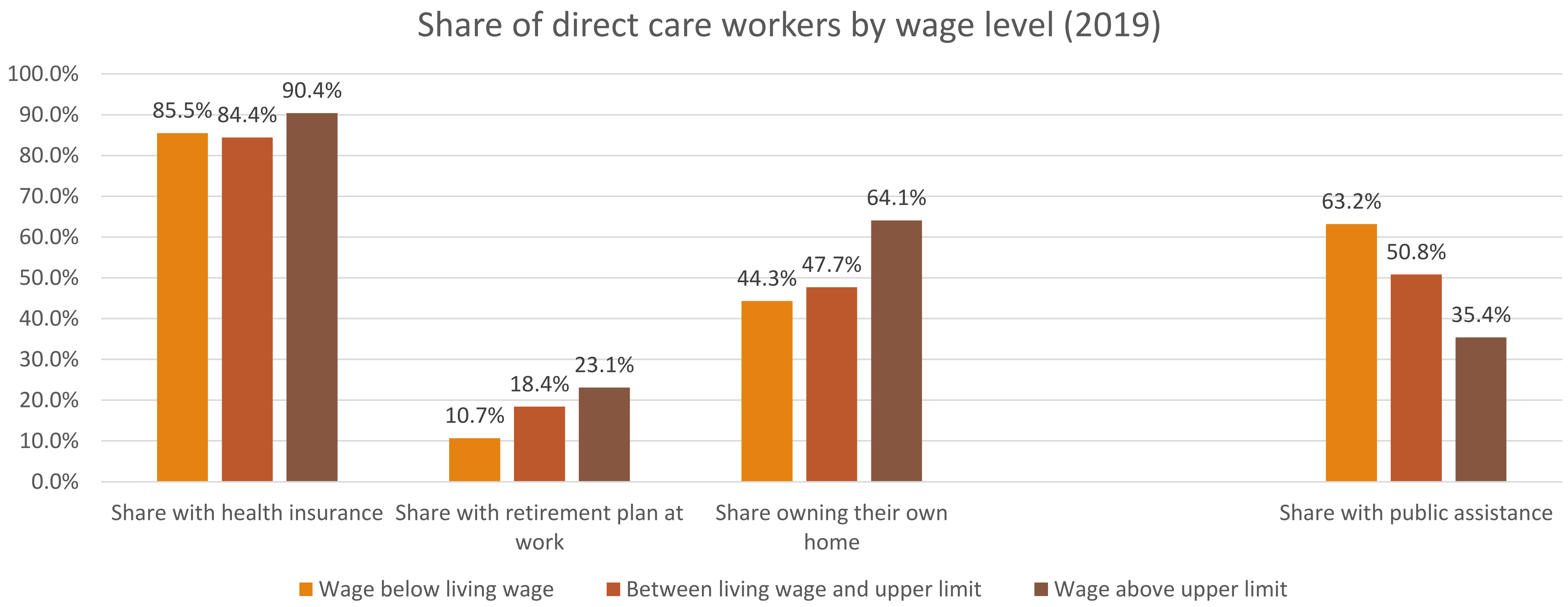
Improvements in turnover, productivity expected to offset costs of higher pay

Reducing turnover can lower employer payer costs directly AND can lead to improvements in productivity and quality of care.

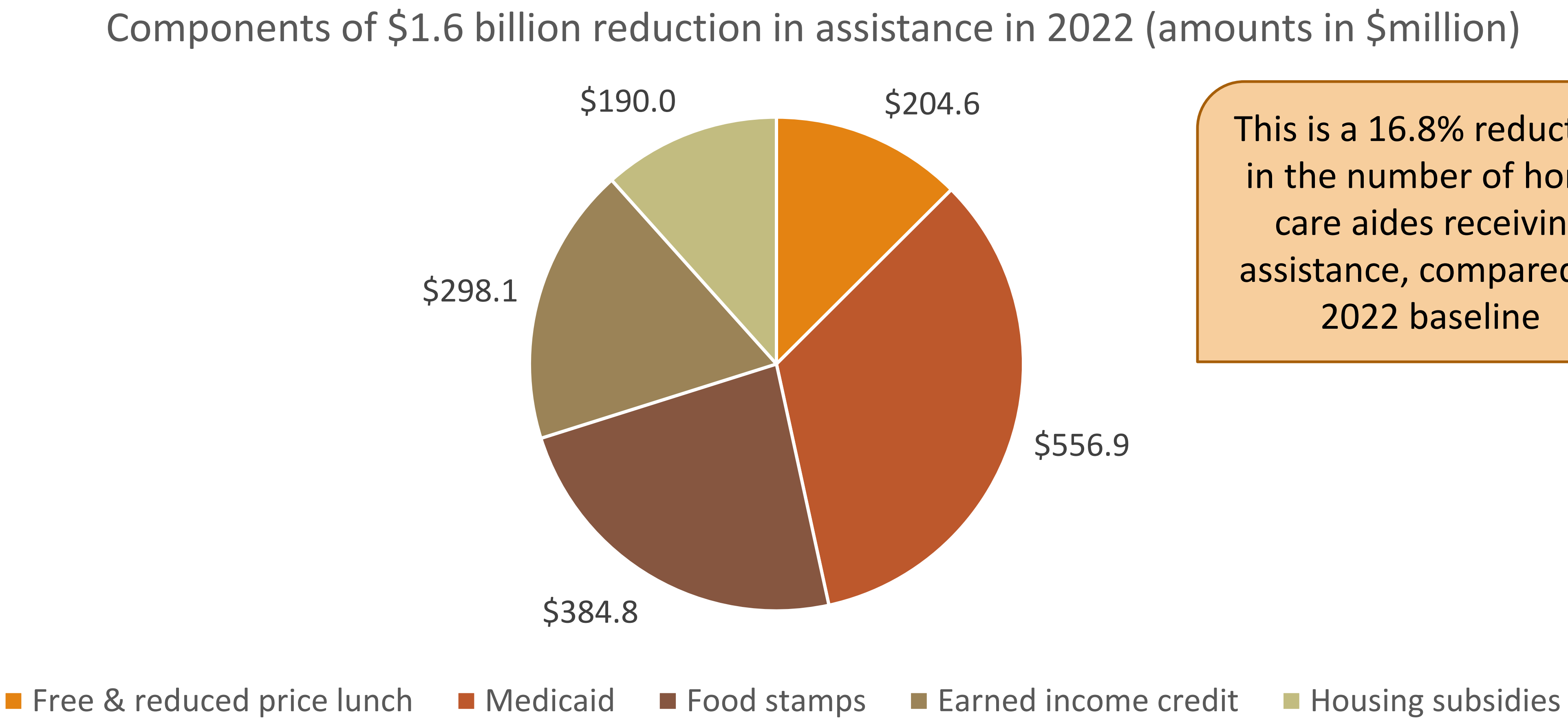
We estimated three scenarios with varying turnover parameters.

- Intermediate scenario: turnover reductions would save employers/payers $462 million/year.
- Although reductions in turnover seem modest (0.7% pts – 1.7% pts), they may offset as much as 10% of the cost of increased pay.
- Improvements in productivity expected to total $5.5 billion annually.
- Together these savings offset most, if not all, of the costs of higher pay.

Living wages enhance financial security for direct care workers



Raising pay would reduce use of public programs by $1.6 billion in 2022



This is a 16.8% reduction in the number of home care aides receiving assistance, compared to 2022 baseline

Higher pay for direct care workers is “multiplied” through the economy

- Higher incomes for direct care workers enables them to increase their consumption spending, creating additional economic activity in other sectors.
- By 2030, the economic “footprint” of additional spending in the economy is forecast to be $17 to $22 billion greater than it would have been over baseline.
- This additional spending would add 65,516 to 85,990 jobs in sectors *other than* direct care in 2030.
- Communities where direct care workers live and spend their money would benefit the most from these additional jobs.