

# Joint Legislative Budget Hearing on HEALTH

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## Testimony Prepared by:

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My name is Ruth Milkman, and I am a Professor of Sociology at the City University of New York Graduate Center. I specialize in the sociology of work and labor. In collaboration with Professor Stephanie Luce and Ph.D. candidate Isaac Jabola-Carolus, I have recently published a study that bears direct relevance to the State budget and to the issue of health that you are considering today.

Our study examines the economic impacts that would result from a substantial increase to home care worker wages in New York State. **We find that lifting home care wages through public investment would create net positive effects not only for the home care sector but for the state economy overall. These findings suggest that the legislature should see home care not only as a dynamic healthcare field but as a potential driver of economic growth.** By pursuing investment in that sector, the State can generate jobs and revenue while also alleviating a deep workforce shortage that limits access to home care among New York's aging population.

**Context for our study:** The baby boomer generation is aging, the demand for long-term care workers is soaring, and New York is struggling to keep up. From an economic development perspective, these trends produce an unusual dynamic. We have a booming sector, with built-in consumer demand and job positions ready to fill—jobs that provide crucial services and that cannot be offshored or automated. Yet because wages and job quality are so inadequate in this field, thousands of positions go unfilled each year, and thousands more are vacated as workers leave the sector to pursue better alternatives. This is a wasteful pattern and a wasted opportunity.

- **Soaring demand:** Based on the latest Department of Labor projections, for 2018 through 2028, rising demand means that the number of home health aide and personal care aide job positions will grow by 265,000. This figure includes both home care workers and aides in nursing facilities, but the explosive growth is fueled by the former. Together, these occupations will add as many jobs to the state economy as the next 40 largest occupations combined.<sup>1</sup>
- **Low wages and poor conditions:** At the same time, workers are exiting these direct care occupations at exceptionally high rates, as their labor is so poorly compensated yet so physically and emotionally demanding. Statewide, the median hourly wage for home care workers is only \$13.80. Median annual income is only \$22,000. The dangers of face-to-face work during the COVID-19 pandemic have made these jobs even less appealing.
- **Workforce shortage:** The steady flood of workers leaving these direct care jobs adds up to another 720,000 openings over the 2018-2028 period. Combined with new job openings

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<sup>1</sup> Authors' analysis of "Long-Term Occupational Employment Projections, 2018-2028," New York State Department of Labor, accessed January 2021.

from increased demand, this means that New York State faces nearly 1 million openings over a decade. The ongoing task of filling these jobs is immense, and we are falling short, especially in home care. A 2018–2019 statewide survey of home care agencies found that, on average, 17 percent of home care positions were left unfilled due to staff shortages. The pandemic has exacerbated this gap: as of Fall 2020, 85 percent of surveyed New York State home care agencies reported worsening staff shortages.<sup>2</sup>

As a result of these staff shortages, many individuals with unmet home care needs experience hospitalizations that might otherwise be unnecessary, and many enter nursing homes, a costly alternative to in-home care that has proved deadly during the pandemic. Furthermore, the direct care workforce gap is often filled by unpaid family members—mostly women—who limit their participation in the labor force to care for loved ones. This pattern reduces overall economic activity and widens gender inequalities.<sup>3</sup>

**Findings:** Our study explores one potential solution to the home care labor shortage: substantially raising wages for New York State’s home care workers. We develop detailed projections, based on the best available data, of the economic impacts of such an intervention, estimating the costs and benefits that would result. **We find that public funding for wage increases for the State’s home care workers would require significant resources, but those costs would be more than offset by the resulting savings, tax revenues, and economic spillover effects.**

Our analysis specifies the costs and benefits of two different wage increases, tailoring each to the State’s three existing minimum wage zones:

- **“Target 1”** would raise home care wages to \$40,000 annually (\$22.00 hourly) in New York City, \$35,000 (\$19.25 hourly) on Long Island and in Westchester County, and \$30,000 (\$16.50 hourly) in the rest of the state.
- **“Target 2”** would raise wages further: to \$50,000 annually (\$27.50 hourly) in New York City, \$45,000 (\$24.75 hourly) on Long Island and in Westchester County, and \$40,000 (\$22.00 hourly) in the rest of the state.

Economic impact estimates for each target wage level also incorporate the cost of providing health insurance to home care workers who would lack coverage, as well as increased payroll taxes.

**Public investment in improving the compensation of home care workers would yield net economic benefits:**

- Target 1 wage increases, health coverage, and payroll taxes would total approximately \$4 billion per year, and Target 2 about \$6.3 billion.
- But the combined value of new savings, tax revenues, and economic spillover effects resulting from improved compensation would far exceed these costs. These estimated

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<sup>2</sup> Home Care Association of New York, “State of the Industry 2019: Financial Condition and Trends in Home and Community-based Care,” February 2019; and “Partial Summary Results from September 2020 HCA Member Survey of Status,” document provided to authors, December 2020.

<sup>3</sup> U.S. Bureau of Labor Statistics, “Unpaid ElderCare in The United States—2017-2018 Data from The American Time Use Survey,” 2019; Sean Fahle and Kathleen McGarry, “Women Working Longer: Labor Market Implications of Providing Family Care,” in *Women Working Longer: Increased Employment at Older Ages*, ed. Claudia Goldin and Lawrence F. Katz (Chicago: University of Chicago Press, 2017), 157–81.

economic benefits total \$7.6 billion for Target 1 wage increases and \$12.9 billion for Target 2 increases.

- These savings would be distributed across local, state, and federal levels, with a net gain of \$3.7 billion for Target 1 and \$6.6 billion for Target 2.

The analysis includes estimates of three types of costs: wage increases, extension of health insurance to workers who would lose their current Medicaid coverage, and new payroll costs associated with wage increases, such as larger employer FICA contributions and higher premiums for disability and workers' compensation insurance. It also estimates the economic benefits of increasing wages, which include new income and sales tax revenues, savings from reduced turnover, productivity gains, and economic spillover effects from workers spending their increased earnings. The results are summarized below:

**Costs and Economic Benefits of Home Care Wage Increases (per annum)**

	<b>Target 1 Wage Increase</b>	<b>Target 2 Wage Increase</b>
<b>Costs</b>		
Wage Costs	\$2,873,200,000	\$4,875,890,000
Healthcare Costs	\$856,436,000	\$982,186,000
Payroll Tax Costs	\$235,378,000	\$397,102,000
<b>Total Costs</b>	<b>\$3,965,014,000</b>	<b>\$6,255,178,000</b>
<b>Economic Benefits</b>		
Economic Spillover	\$4,597,121,000	\$7,801,425,000
New Income Tax Revenue	\$1,097,914,000	\$1,974,244,000
New Sales Tax Revenue	\$141,591,000	\$240,284,000
Public Assistance Savings	\$495,637,000	\$645,336,000
Turnover Reduction	\$151,327,000	\$252,211,000
Productivity Gains	\$1,149,280,000	\$1,950,356,000
<b>Total Economic Benefits</b>	<b>\$7,632,870,000</b>	<b>\$12,863,856,000</b>
<b>Net Economic Gain</b>	<b>\$3,667,856,000</b>	<b>\$6,608,678,000</b>

Economic gains would be distributed across local, state, and federal levels in part because workers' increased spending would not be confined to New York State. Acknowledging this measurement challenge, **we estimate economic benefits for New York State overall would approximate \$5.4 billion for Target 1 and \$9 billion for Target 2, with net gains of \$1.4 billion and \$2.8 billion, respectively.**

**Raising wages for home care workers would spur employment growth in other industries while alleviating the existing home care shortage.** The estimated effects on employment are summarized below.

- Higher wages would attract more workers to the home care field and would cause some home care aides who currently work part-time to seek additional hours. The result would be an increase of nearly 20,000 workers (full-time equivalent) in home care per annum for Target 1, and over 38,000 workers for Target 2.
- The economic multiplier effects that would result from the wage improvements for home care workers would also create nearly 18,000 jobs in other industries per annum for Target 1, and nearly 30,000 new jobs for Target 2. This is because home care workers would spend their additional earnings on goods and services, including housing, food, transportation and other basic necessities, stimulating job creation in a range of occupations.

**Employment Effects of Home Care Wage Increases (per annum)**

	<b>Target 1 Wage Increase</b>	<b>Target 2 Wage Increase</b>
New Home Care Workers (Full-Time Equivalent)	19,440	38,370
New Jobs, Other Industries	17,600	29,870
Total Employment Gains	37,040	68,240

Overall, our analysis shows that allocating state funding to raise home care wages to the proposed target levels would generate net economic benefits. Raising pay would also help to meet the skyrocketing demand for home care workers and stimulate additional employment growth in other sectors. These findings align with previous research demonstrating the positive economic impacts of wage increases and of public investment in care work.

**Recommendations**

Based on our research, we encourage policymakers to view home care as a promising economic development opportunity. Funding wage improvements for the home care workforce would help address the needs of our aging population while also serving as a safe public investment. This investment would yield job creation and economic gains resilient to economic fluctuations. We recommend the legislature consider the following actions:

- Pursue public investment in significantly raising home care wages, at a scale similar to that outlined in our analysis. Funding the proposed Fair Pay for Home Care legislation offers one immediate opportunity to realize this type of investment. Because Fair Pay would be implemented on January 1, 2023, it would cost the state about \$618 million – or about three-quarters of the \$860 million in funds available from the American Rescue Plan.
- Dedicate economic development funding to support the home care workforce. Empire State Development and Regional Economic Development Councils can play a key role in pursuing strategies that tap the economic development potential of the home care sector.