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Workforce Report: Labor Shortage Mitigation in New York's Home Care Sector

Key Findings

- Over 4.6 million New Yorkers will be over age 65 by 2035 — an increase of 29% in the next decade
- Nearly 1 million New Yorkers will require home care by 2035[1]
- With no wage increase, the home care worker shortage will hit 1.47 million workers by 2035
- Home care workers make approximately 40% less than workers in nursing care facilities

Introduction

New York State has been reported to be one of the states most at risk of incurring a shortage of healthcare workers over the next decade (Stevenson, 2019). With a quickly growing population of adults over the age of 65 ("older adults") and a movement towards "aging in place," the demand for home care workers will rise dramatically over the next decade. As of 2016, the healthcare workforce accounted for over 11 percent of all wages paid in the state and was growing faster than any other sector (New York Department of Labor, 2016). The healthcare sector accounts for an even larger share of work for women, immigrants and people of color and the healthcare industry is expected to see more growth than almost any other industry over the coming decades. However, compensation in care work and home care in particular are some of the lowest of any industry, often just above the minimum wage with little to no additional benefits. These jobs are precarious, and undercompensated relative to other similar jobs. **Low wages paired with challenging day-to-day tasks on the job creates a labor market with shortages and high turn-over, resulting in a constant need for recruitment and unmet needs of older adults and people with disabilities**.

[1] Exact figure: 932,000

The Home Care Association of New York State (HCA) reported in 2019 that 87 percent of home care and personal care services were covered by the New York Medicaid system (HCA, 2019). The striking number of home care workers being paid out of state Medicaid funds make understanding this labor market of key importance to state policy-makers. Not only is this market of large consequence to the state budget — much of which goes to Medicaid services — but additionally, the large and increasing needs of the New York aging population demands urgent attention as individuals find it difficult to attain services. Due to the fact that a vast majority of home care needs are being met via the state's Medicaid services, it is of crucial importance for state policy-makers to account for the large and rising demand.

This report documents ongoing research, develops evidence for the increasing shortage of home care workers in New York State, and provides an economic model demonstrating that increasing the wage paid to home care workers will lessen the crisis of home care shortages for New York's aging and disabled population.

New York's aging population will create increasing demand for home care workers.

Over the coming decades, the maturation of the Baby Boom generation into retirement will create a constant and growing need for healthcare support for older adults. As Baby Boomers reach the ages of 65 to 85, their need for supportive care will steadily increase. Figure 1 plots the observed increase in the population of New Yorkers over the age of 65 between 2001 and 2021. Over the past two decades, the number of people over the age of 65 has increased from 2,300,000 to 3,500,000, an increase of 34 percent (Ruggles, 2023). If we assume the same linear trend in growth over the next decade or so**, New York will have well over 4,500,000 individuals over the age of 65 living in New York, an increase of 29 percent in just over a decade**. This is likely an underestimate given the fact that longevity is also expected to increase, lengthening the lifespans of individuals and creating an even larger group of older adults in New York in need of home care.

Figure 1. Number of New York residents aged 65 and over.

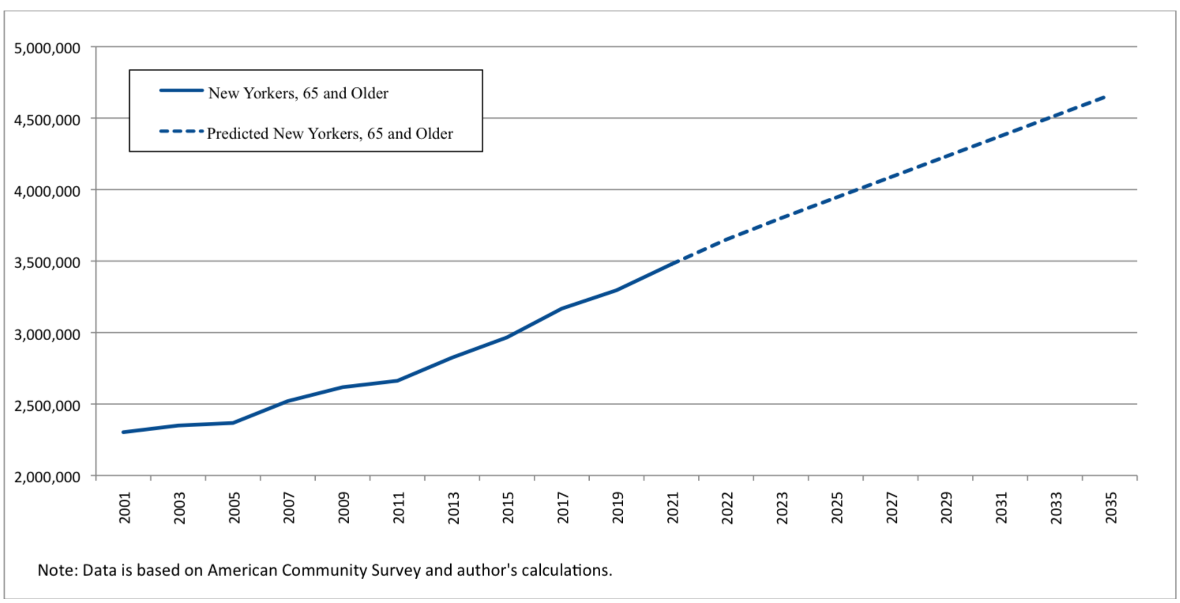
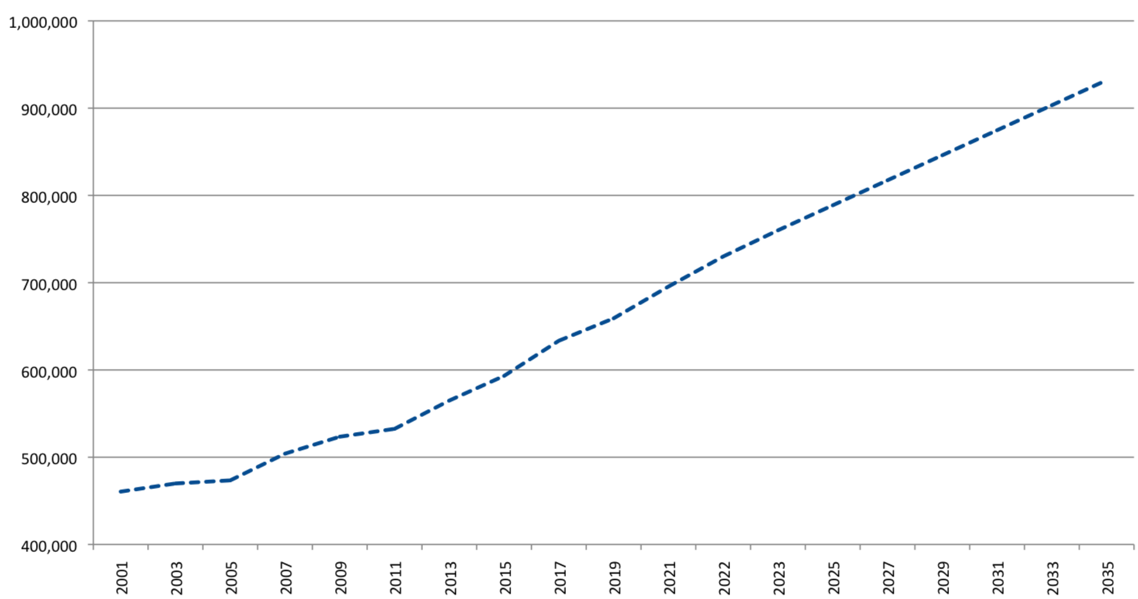


Figure 2. Estimated number of New York residents in need of home care.



Note: Data is based on American Community Survey, data from the Home Care Association of New York State and author's calculations.

With both an aging Baby Boom generation and increasing life expectancy, the need for home care workers will steadily increase in parallel. A 2019 report by the Home Care Association of New York State states that in 2019, 24% of patients were unable to access care from a home care worker and 15% experienced delays in receiving care (HCA, 2019). With an estimated 500,000 individuals or families receiving care in 2019, these estimates suggest that 125,000-166,000 individuals were not able to connect with home care providers[2]. If we assume that the relative demand for home care workers and nursing assistants will scale up linearly with the increasing population, we would expect that one out of every five individuals over the age of 65 will be in need of care. Figure 2 plots the estimated number of older adults in need of home care based on the 2019 report by the Home Care Association of New York State and a simple linear extrapolation of the current trend. Between 2019 and 2035, the estimated number of individuals in need of home care will grow from 650,000 to be about 932,000. These figures most likely underestimate the future needs of older adults in New York, as it is likely that with increased life-expectancy, there will be a larger proportion of older adults that will be in need of home care. While current research suggests there is already a large gap between the supply of home care and the demand for these services in New York, without policy intervention this gap is likely to increase along with the growth of the aging population and predicted increases in longevity.

Home care wages have stagnated as lowest in industry.

Growth in the employment sector reflects the increasing demand for workers in home care . However, that increasing demand has not been met with sufficient wage growth. In the chart below, we see that wages for **home care workers have been largely stagnant over the past 10-20 years, falling below all other older-adult care workers' wages in the most recent quarter of available data and lagging far behind compensation for workers in nursing care facilities.** As of the first quarter of

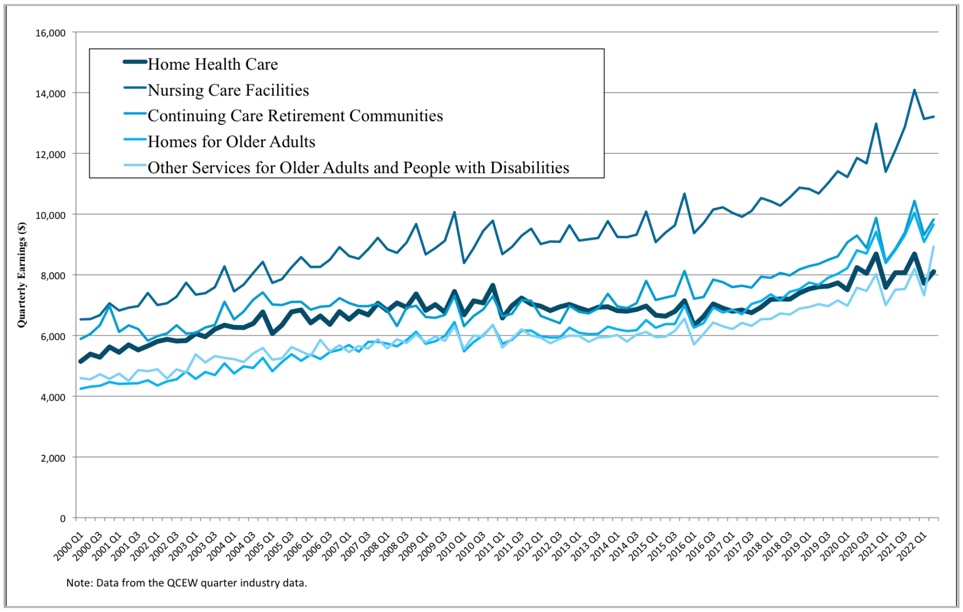
[2] This shortage applies to both home care workers and nursing assistants.

2022, home care workers made about $8,000 over the quarter, which translates into about $32,000 annually and about $16 an hour, just above the state minimum wage.[3] In contrast, workers in nursing care facilities made $13,000-14,000 each quarter, the equivalent of $56,000 annually and $28 an hour. **As a result, home care workers make approximately 40% less than workers in nursing care facilities and 15% less than employees at continuing care facilities for older adults.** Even more striking, since the COVID-19 pandemic, wages for home care workers have stagnated entirely.

It is important to note that, while employment has increased in home care services, demand has not been met and wages have stayed relatively low. Figure 3 depicts wages in home care services relative to a number of related industries. As of 2022, **employees in home care services were paid the least on average of any senior care industry**. Further, while there has been some growth in wages over time, the growth has been inconsistent and largely stagnant since the onset of the COVID-19 pandemic.

While Figure 3 plots wages for employees of private companies, the majority of the workers in home care are implicitly paid by the state because the private companies employing them receive funding through Medicaid reimbursement. Because Medicaid reimbursement rates are set by the State, wages reflect state policy decisions in addition to typical market forces. Wages for workers in nursing homes have grown by 100 percent or more over the past 20 years, while wages for home care workers have grown less than any other profession in care for older adults. Even with the 2023 state mandate for home care workers to be paid two dollars over the local minimum wage (totaling $17.00/hr in the New York City metropolitan area and $16.20/hr elsewhere), home care workers are still paid less than all other types of care work for older adults and the disabled. This is likely due at least in large part to the failure of the state to raise Medicaid reimbursements for these jobs, essential to the health and well-being of the state's older adults.

Figure 3. Average quarterly earnings in care of older adults by industry, New York ($)



[3] The observed wage of about $16/hr reflects a combination of the 87% of home care workers who are paid through Medicaid reimbursements and 13% that are paid through private employment. Additionally, while $8,000 a quarter corresponds to $32,000 annually if a person works all year, it is not necessarily the case that these workers stay in these jobs for an entire year, thus it may not be the case that a workers makes the full $32,000 over the course of a year.

What's more, over half of home care workers access some form of public assistance, whether through food stamps, Medicaid or cash assistance. These data represent just how tenuously this labor market exists. Many workers may decide to reduce their working hours or leave the labor force all together if they cannot support themselves on such low wages. **Low wages and benefits result in high turnover rates, unfilled jobs, and a lower quality of care for the aging population of New Yorkers in need of care**. Table 1 shows that home care workers are more likely to be on public assistance than other workers with comparable jobs, showing how under-valued these jobs can be. Well over half of home care workers receive some form of public assistance, an implicit cost to the state that could be mitigated with higher wages.

Table 1. Statistics on the uptake of public assistance by older-adult care professionals.

	Home Care	Residential Care Homes	Nursing Homes	All Direct Care Workers
Any public assistance	58%	39%	34%	50%
Food and Nutrition Assistance	30%	20%	20%	27%
Medicaid	44%	24%	23%	36%
Cash Assistance	3%	1%	3%	2%
Source: PHI Workforce Data Center. https://www.phinational.org/policy-research/workforce-data-center/#var=Public+Assistance&states=36&tab=State+Data				

Finally, the majority of home care workers come from historically marginalized groups including women, people of color, and immigrants. These workers face discrimination and underemployment generally, thus depressing their wages and employment overall in the state. Table 2 demonstrates the large proportion of all older-adult care employees who identify as part of a marginalized racial or ethnic group. Because these individuals face labor force discrimination broadly, wages are depressed across all industries and workers are in need of work with little power to bargain for better wages or benefits.

Table 2. Statistics on the race and ethnicity of older-adult care professionals.

	Home Care	Residential Care Homes	Nursing Homes	All Direct Care Workers
Asian or Pacific Islander	14%	3%	4%	11%
Black or African American	32%	33%	53%	36%
Hispanic or Latino (Any Race)	32%	13%	9%	26%
Other	4%	6%	6%	4%
White	19%	45%	28%	23%
Source:PHI Workforce Data Center. https://www.phinational.org/policy-research/workforce-data-center/#var=Public+Assistance&states=36&tab=State+Datastance&states=36&tab=State+Data				

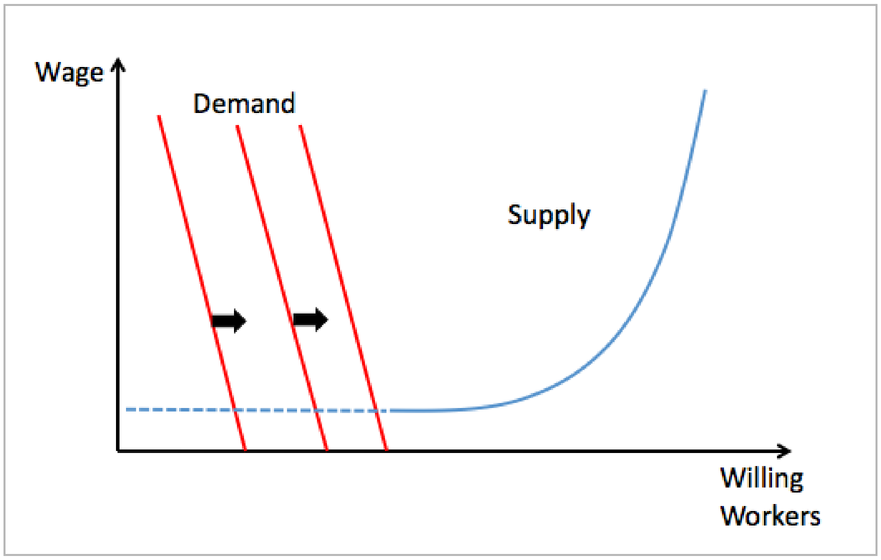
Home care workers have little power to negotiate fair wages.

To make sense of the observed low wages and high use of public assistance among home care workers, we must consider the nature of the employment relationships in the home care labor market, and the health insurance system that regulates the prices of home care . These factors create an environment that produces immense deficiency in the home care industry and negatively impacts both the workers and those being cared for.

First, the New York labor market for women, people of color and immigrants is challenging and offers insufficient opportunity for individuals seeking work. This can be easily understood simply from the fact that unemployment rates are much higher for Black and Hispanic or Latino workers nation-wide (EPI, 2022). Because job opportunities are harder to access for these individuals, the individuals lack the labor power to demand fair wages and benefits. Given this context, there is labor market slack in these populations making it so that the supply of individuals looking for work is high. Because individuals lack options, they may be willing to take a job that does not offer a fair or livable wage simply because they need some form of labor income to keep their homes and pay for basic needs.

With a large pool of unemployed or underemployed workers, increases in the demand for home care will not translate into large wage gains, though they may translate into employment gains. In very simplified terms, we can imagine this excess supply of workers as a long flat portion of the labor market supply curve for home care workers. This is depicted in the stylized graph below which illustrates a standard supply-demand curve model with large labor market slack. As the demand increases and the demand curve shifts to the right, we see that there may be an increase in workers willing to take jobs, but little to no change in wages. An increase in employment along with stagnant or sluggishly low wages is exactly what we see in the labor market for home care workers.

Figure 4. Stylized model of labor market with inelastic demand and excess slack.



Further, the **wages are so low for these workers that the workers are only somewhat incentivized to take these jobs, creating large turnover and instability in the labor market for home care worker**s. The figure shows this by depicting the flat part of the supply curve as a dashed line, indicating that these workers are only somewhat willing to work at this low wage. These workers may quickly change to a job in a different industry that pays a higher wage or they may leave the labor market all-together. With a labor market like this, there are high turnover rates and frequently unmet needs. That is, the workforce sees so much turnover in employees that there are large and constant needs to recruit and train new workers. High turnover contributes to high levels of vacancies as there is so much churn making it hard to consistently match a home care worker to a person in need. A 2019 report by the Home Care Association of New York State confirms that "[w]orkforce shortages result in vacancies and costly staff turnover," and that providers "rank 'recruitment and turnover-related costs' as the top contributor to their overall cost increases…" [pg. 8 HCA, 2019]. A labor market full of under-compensated workers is unhealthy for both the older adults who are receiving inconsistent care as well as the workers who are not getting paid fairly.

State-determined Medicaid reimbursement rates are artificially low.

Figure 4 depicts a simplified labor market supply-demand diagram to demonstrate the fact that wage gains could be small even with increasing demand if there are a large pool of under-employed and under-valued workers. The figure also depicted demand in the market to be very steep. This is an important feature of the labor market for home care workers; the steep line demonstrates that the demand for home care workers is very "inelastic" meaning that people will need the healthcare regardless of the cost. This is a common feature in healthcare markets generally not only because these are matters of life and death (which makes people relatively price insensitive) but also because there is an insurance company that will reimburse for the service, so people are not directly feeling the cost of the care. The chart depicting the market above is also misleading due to the fact that the wage in the labor market for home care workers is largely driven by Medicaid and Medicare reimbursement rates that are set by the government. The Home Care Association of New York State reported in 2019 that

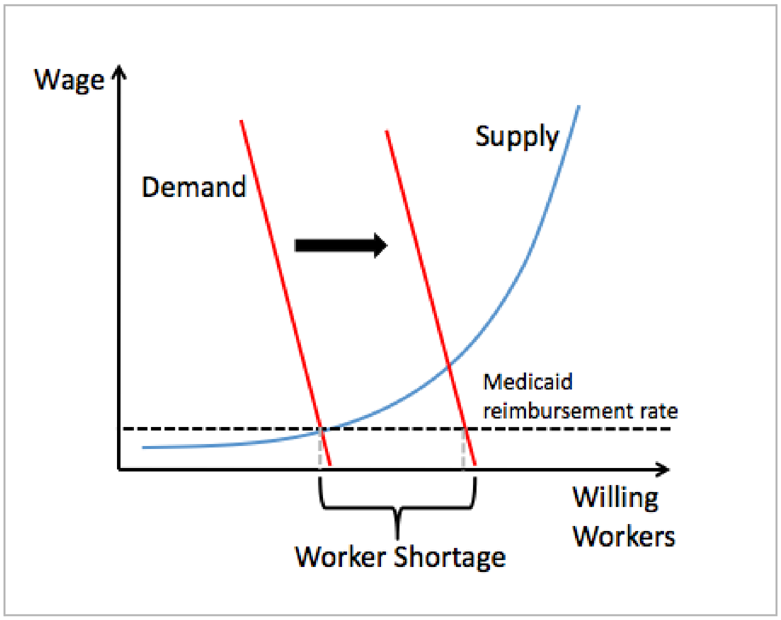
87 percent of home care and personal care services were covered by the New York Medicaid system. The impact on the market diagram is to create extremely steep, inelastic, demand for labor, as consumers are not always facing the costs directly.

Consider a scenario in which one year, state policy-makers set the Medicaid reimbursement rate so that the supply of workers is equal to the demand for home care workers. Figure 5 shows the Supply-Demand diagram with a black dashed line showing the originally set Medicaid reimbursement rate. Now consider that there is an aging population and a growing number of people in need of care. We depict this by a shift in the red demand curve to the right. At this new level of demand, there is a new intersection between supply and demand at a higher wage and with a higher number of workers. However, since wages are determined primarily by the Medicaid reimbursement rate, the wage is forced to stay at its original level, shown by the dashed black line. At this original wage rate, the demand for home care workers (where the black dashed line intersects with the red demand line) is much higher than the supply of these workers (where the black dashed line intersects with the blue supply line). The difference between these two points is precisely the labor shortage in home care. In other words, **by not adjusting the Medicaid reimbursement rate, when the number of individuals in need of care increases, there is no mechanism to draw in the new workers needed to meet that urgent demand.** However, if policy-makers were to raise the Medicaid reimbursement rate, they could stem the shortage of care and meet the needs of the growing population of older adults.

Estimating Home Care Shortages.

To estimate the ongoing shortage of homecare workers in New York, this report will use data from the American Community Survey (ACS) and the Quarterly Census of Employment and Wages (QCEW) along with previous estimates and a set of stipulations about the evolving economic environment. Given current inflation rates and potential adjustments to minimum wage laws in New York, there are a number of possible scenarios casting uncertainty and complexity into estimating future shortages of home care workers.

Figure 4: Stylized model of labor market for home care wages set by Medicaid.



A 2017 report by Mercer found that the US would likely suffer a shortage of almost 450,000 home care workers by 2025 and that New York would account for about 80,000 unfulfilled requests for home care (Stevenson, 2019). Given that the Home Care Associates of New York State estimate that the number of individuals over the age of 65 in New York will grow from 3.5 million in 2021 to over 4.5 million in 2035, **at current rates of demand we project there to be 932,000 individuals in need of home care in 2035.** With this large population in need of care, there will need to be massive recruitment and increased wages and benefits for the home care industry to meet the demands of New York families.

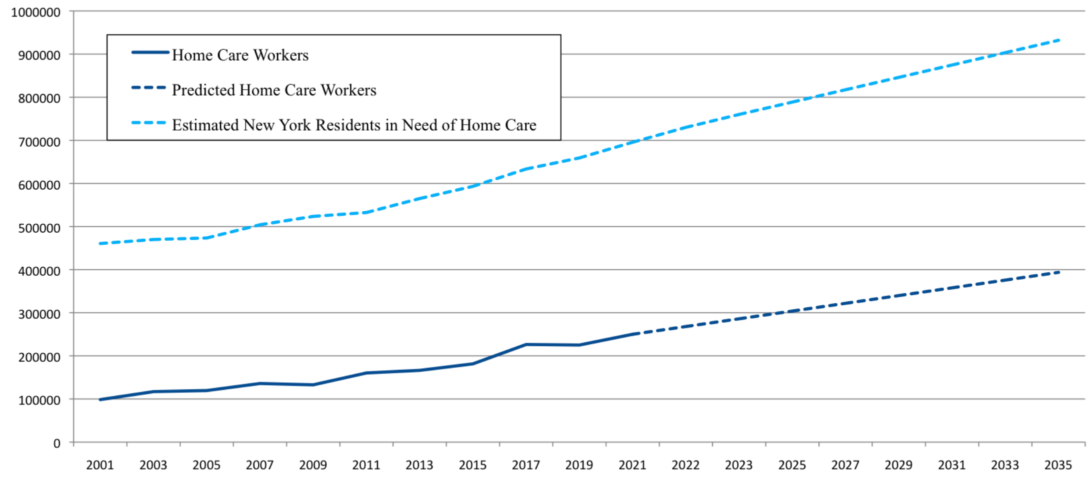
Figure 6 depicts the estimated number of New Yorkers in need of home care for the past two decades (including those who did not receive care) and through 2035. The figure also plots the number of reported employed individuals in home care by the QCEW. As of 2021, there were 250,000 individuals working in home care and almost 700,000 individuals in need of care. It may be the case that one worker can provide care to two or more individuals depending on the level of need, thus is it not necessarily the case that there is a gap of 450,000 workers. In fact it was reported by the Home Care Association of New York State that in 2019 there were about 500,000 individuals or families receiving home care in New York. Thus it is extremely likely that most home care workers are working for more than one client.

Depending on whether we assume that each homecare worker can take care of a single client or two clients changes how we think about the estimated shortage. Baseline estimates of the shortage estimated that in 2019 there were 500,000 individuals and families receiving care and an additional 24 percent who were not able to receive care. Assuming a home care worker can take care of between one and three people, that would create a shortage of between 40,000-120,000 home care workers in the State. However, many researchers have argued that to fill every open vacancy in home care for older adults, there need to be two or more individuals because of the very high level of turnover in the field.[4] The high turnover means that the current shortage may be as high as 80,000-240,000 workers because each unfilled post requires about two workers to actually fill.

Figure 6 also shows that by 2035, we'd expect to see about 930,000 individuals in need of home care and just under 400,000 home care workers, assuming a continuation of the recent trends in employment and wages. Under the assumption that each posting requires 2 workers to be filled, the gap in 2035 will have grown to 1.47 million workers. Again, this estimate assumes no significant change in the wage trends that we've seen to date.

[4] PHI "Understanding the Direct Care Workforce: Key Facts and FAQs," https://www.phinational.org/policy-research/key-facts-faq/

Figure 6. Gap between those in need of home care and home care workers.



Note: Data is based on American Community Survey, data from the Home Care Association of New York State and author's calculations.

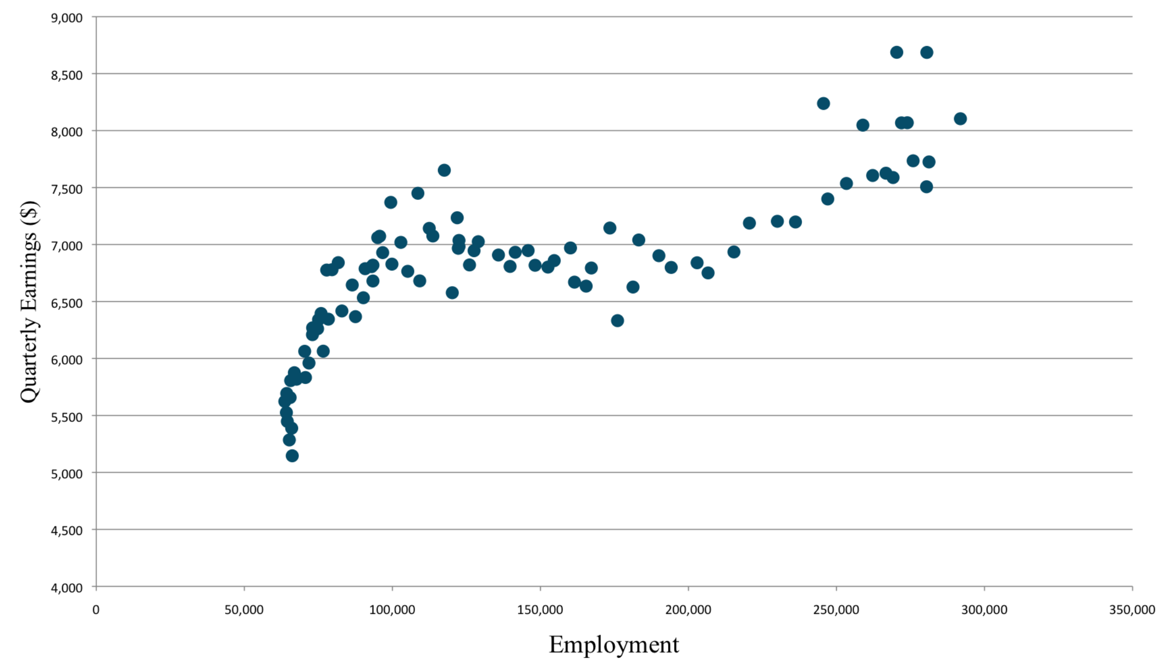
Table 3. Gap between those in need of home care and home care workers.

Year	Estimated NY Residents in Need of Home Care	Predicted Home Care Workers	Approximate Gap*
2023	760,000	286,025	1,233,975
2024	774,335	294,999	1,253,670
2025	788,669	303,972	1,273,366
2026	803,004	312,946	1,293,061
2027	817,338	321,920	1,312,756
2028	831,673	330,894	1,332,451
2029	846,008	339,868	1,352,147
2030	860,342	348,842	1,371,842
2031	874,676	357,816	1,391,537
2032	889,011	366,790	1,411,232
2033	903,346	375,767	1,430,927
2034	917,680	384,738	1,450,623
2035	932,015	393,711	1,470,318

* Assuming that for every job opening there are two workers needed to fill the opening.

In order to attract more workers to home care, wages — and more importantly, Medicaid reimbursement rates — must be raised. To estimate the necessary wage increase, we can examine the relationship between employment and wages over time. Figures 7 and 8 plot total employment of home care workers against their earnings. Figure 7 uses the QCEW data, whereas Figure 8 uses the ACS data. Each has pros and cons, but both show the strong positive relationship between wages and employment. This upward-sloping relationship suggests that demand increases have been the biggest factor in producing growth in the home care sector over the past 20 years.[5]

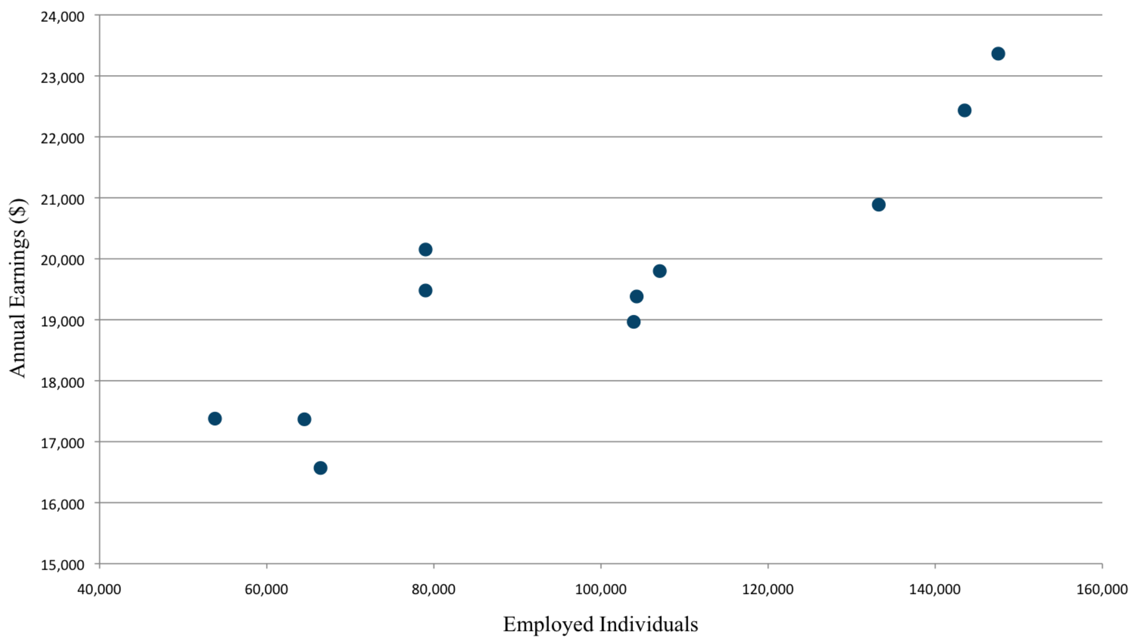
Figure 7. Positive correlation between earnings and employment in the home care industry, QCEW data.



Notes: Data from the QCEW for the home health care industry. Data spans the first quarter of 2000 to the second quarter of 2022.

[5] It is important to note that these charts are not purely demand changes keeping supply of workers constant. The exercise of estimating the employment response to wage increases could be biased by simultaneous changes in the supply. Because there is such a clear demand shift occurring over this period, the result is likely to be within reason.

Figure 8. Positive correlation between earnings and employment in the home care industry, ACS data.



Note: Data from the American Community Survey for odd years between 2001 and 2021. Authors calculations to aggregate average earnings and total employment.

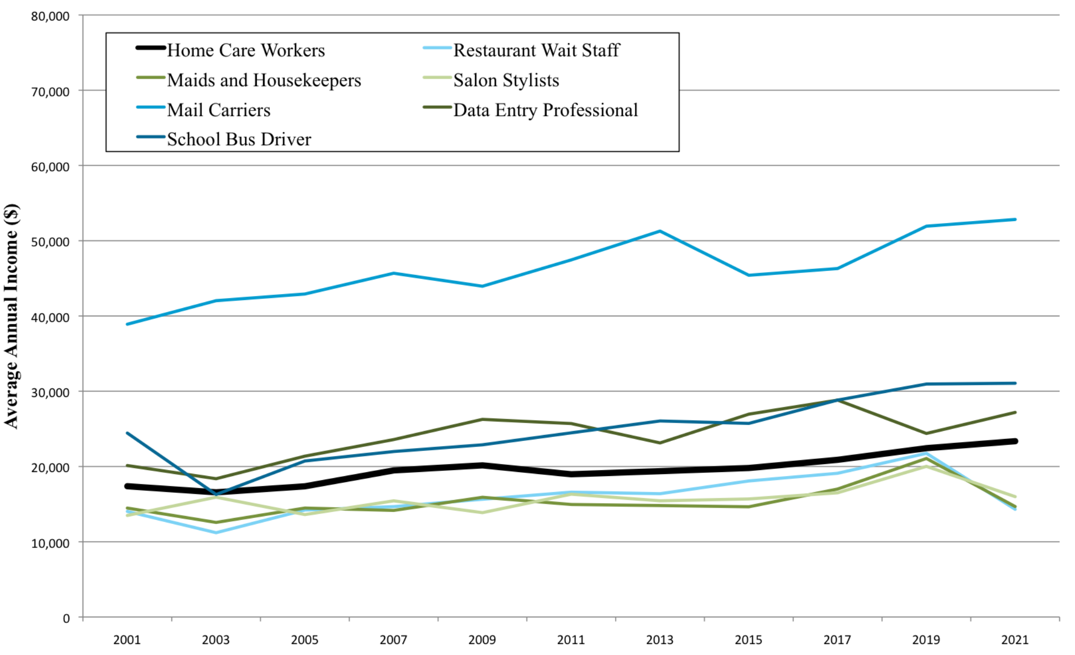
By estimating the change in employment given a change in the wage, we can find what approximate wage increase might help mitigate the shortage of home care workers. A simple linear regression using the QCEW data finds that an increase of $1000/year is associated with an increase of 20,000 workers. In the ACS data an increase of $1000/year is associated with an increase of 14,100 workers. An increase of $1000/year is equivalent to a $0.50/hr wage increase for an individual working 40 hours a week for 50 weeks of the year. These numbers would suggest that a wage increase of $1/hr would correspond to 30,000-40,000 additional workers.[6] To close the estimated gap in 2035 of 1.47 million workers would require wages to increase an additional $15/hr or more. Given that we expect the number of individuals in need of home care to continue increasing for the next decade or two, there will need to be consistent wage increases to meet the growing demand.

Home care wages should adjust with inflation and the minimum wage.

Home care wages must be understood in their context of the price and relative wage environment. With the inflation of the past two years, the purchasing power of home care wages has eroded, making the job even less remunerative for workers. Similarly, if other comparable jobs or easier jobs are paid as well or better, then working in home care could become less desirable. Figure 9 shows wages for home care workers relative to other fairly low paid or low-skilled jobs. Notably, reported wages for home care workers are below the wages of school bus drivers — arguably a public-sector job with comparable risks and importance — and far below the wages for mail carriers, another public sector job. Home care workers are instead paid similar rates to salon workers and data entry.

[6] This claim relies on the assumption that there is a causal relationship between wage increases and employment increases in the QCEW and ACS data, which is not necessarily a given. Even if the relationship were causal, it is not entirely clear that out of the range of observed wage increases we'd see the same linear relationship.

Figure 9. Positive correlation between earnings and employment in the home care industry, ACS data.



Note: Data from the American Community Survey odd numbered years. Author's calculations for aggregation to averages.

Table 4. Low-wage sectors — annual earnings.

Occupation	Annual Earnings
Home Care Workers	$23,365
Mail Carriers	$52,829
School Bus Driver	$31,065
Data Entry Professional	$27,190
Salon Stylists	$15,996
Maids and Housekeepers	$14,676
Restaurant Wait Staff	$14,313
Source: 2021 ACS	

Table 5. New York State Public Sector Wages — Low-wage sector annual earnings.

Occupation	Hourly Wage
Home Care Workers	$17.00/hr
Cook	$21.50/hr - $26.50/hr
Youth Support Specialist	$27/hr
Teaching Assistant	$18.50/hr - $23.50/hr
Substitute Teacher	$21.06/hr - $27.77/hr
Scheduler/Receptionist	$20.00/hr - $25.00/hr
Office Assistant	$20/hr
Food Service Worker	$18.75/hr - $23.00/hr
Source: https://statejobs.ny.gov	

Without adjusting home care wages with inflation and to adequately meet the markets' demands, the relative wage of home care workers will erode and the shortage of home care workers will grow.

Conclusion

The home care workforce in New York is facing major shortages that will grow over the coming decades if there is no intervention. The labor market for healthcare workers is distorted and inefficient due to the intense level of slack in the labor market driven by a long history of employment discrimination and under-payment for women of color, who make up a large proportion of the population of home care workers. The market is further distorted by the fact that the vast majority of workers are functionally paid via Medicaid, which suggests that the state government sets the wage and that the wage is not efficiently adjusting to heightened market demands. Solving the shortage of care workers and ensuring good quality care for New York's older adults would require raising the wage of home care workers by an additional $15/hr over the next 15 years.

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