



How Public Investment in Higher Pay for Home Care Workers Would Benefit New York State

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In recent years, the aging of the baby boomer generation has fueled explosive growth in demand for long-term care workers, especially in home-based care. Over the ten-year period 2018-2028, nearly 1,000,000 job positions must be filled to meet the demand for health aides in New York State alone. However, employers struggle to attract and retain workers, as the job is physically and emotionally demanding but very low paid—only \$13.80 hourly, or \$22,000 yearly, for an average New York home care worker. The resulting staff shortage leaves individuals without the care they need, squeezes unpaid family caregivers, and leads to preventable injuries, illnesses, and healthcare costs.

A [new study](#), which I co-authored with Stephanie Luce and Ruth Milkman, explores one potential solution to the labor shortage: substantially raising wages for New York State home care workers through public investment. We find that funding for wage increases would require significant resources, but those costs would be more than offset by the resulting savings, tax revenues, and economic spillover effects. In total, lifting New York's home care workers toward a living wage would:

- Generate over \$7.6 billion per year in economic benefits.
- Alleviate the home care shortage by helping to fill nearly 20,000 vacant home care positions.
- Create nearly 18,000 jobs in other industries by boosting local economic activity.

The American Jobs Plan calls for Congress to dedicate \$400 billion to home- and community-based care, with the goal of expanding access to care while raising wages for workers in this field and ensuring the opportunity to unionize. In acting on this proposal, Congress should pass legislation that guarantees funding for significant pay increases in the home care field, which would yield large-scale economic gains and reverse the home care labor shortage. The need for such a public investment is especially urgent in New York.

Soaring Demand for Home Care and Growing Workforce Shortage

In New York State, the number of home health aide and personal care aide jobs is projected to rise from 440,000 in 2018 to over 700,000 by 2028. The magnitude of this growth, driven primarily by demand for in-home care, is staggering: home health and personal care aides alone will add as many jobs to the state economy as will the next forty largest occupations combined. The soaring demand for home care workers in particular—aides who work in private homes—represents a major economic opportunity, an abundance of socially beneficial jobs waiting to be filled. But the gap between labor supply and demand poses an immense problem. A recent statewide [survey](#) of home care agencies found that, on average, 23 percent of home care positions were left unfilled due to staff shortages—a pattern worsened by the COVID-19 pandemic. As a result, agencies have been unable to accept nearly 30 percent of new cases.

Economic Benefits of Higher Pay for Home Care Workers

In order to stave off a worsening labor shortage and to facilitate economic recovery, New York State and the federal government should provide public funding for wage increases for the State's home care workers. We analyzed the economic costs and benefits of using State and Federal funds to raise home care wages to at least \$22 per hour (\$40,000 yearly) in New York City, \$19.25 (\$35,000 yearly) in Long Island and Westchester, and \$16.50 (\$30,000 yearly) in the rest of the state. Based on our projections, we identified three key findings:

- The cost of these wage increases would total approximately \$4 billion per year. This amount includes the direct cost of higher pay, as well as two associated costs: the provision of health coverage for workers who would lose Medicaid eligibility at higher wage levels, and the cost of increased employer payroll

taxes and expenses.

- These costs would be far surpassed by the resulting savings, tax revenues, and increased economic activity. These economic benefits would total over \$7.6 billion. One of the main effects, for instance, is that workers would spend the bulk of their new earnings, injecting billions of dollars into the economy. State and federal governments would also experience reduced public assistance spending and increased income tax revenue, while employers would benefit from productivity gains and lower turnover costs.
- Crucially, higher pay for home care workers would help fill nearly 20,000 vacant home care positions. It would also create nearly 18,000 jobs in other industries by boosting local economic activity. These are one-year effects that could extend into future years; their continuity would depend on a number of factors, including the relationship between wages in home care and those in other occupations.

Our findings align with previous [research](#) on the economic benefits of wage increases and of public investment in care work. The findings should be of particular interest in the current moment, as New York State emerges from the pandemic and charts a path toward economic and social recovery. Studies like ours point to a promising [strategy](#) not only for addressing the problems of long-term care but also for spurring broader job growth in the wake of the economic recession. Public investment in the care sector would generate more [job growth](#)—for women and men alike—than would similar investment in the construction sector. Ultimately, higher pay would also produce important social and human impacts, mitigating racial and gender inequality and improving the well-being of workers and their families.

Recommendations

The American Jobs Plan recognizes the crisis in long-term care provision nationwide, proposing \$400 billion to expand access to home- and community-based care for older adults and people with disabilities. The plan specifically highlights the need for wage increases for home care workers.

- New York State's Congressional delegation should seize the opportunity to secure funding for wage increases, which will alleviate the State's home care shortage and help vulnerable New Yorkers remain in their own homes instead of in nursing homes and institutions.
- New York would require an annual investment of at least \$4 billion to achieve the \$7.6 billion in annual economic benefits we project in our report. Federal and State officials would also need to ensure that wage increases extend to workers paid privately and through Medicare, in addition to those funded through Medicaid programs.
- Beyond the American Jobs Plan, Federal and State officials should pursue broader solutions to the crisis in long-term care, such as developing public long-term care insurance programs that would further expand access to home care and transform job quality in this field.