

Value the Care!

Minimum wage and overtime for home care aides

No. 3

Fixing the “companionship exemption” will *not* make care too expensive...

On December 15, President Obama announced that the federal government is proposing to narrow the “companionship exemption” under the Fair Labor Standards Act (FLSA) in order to guarantee minimum wage and overtime protections for most home care aides.

Those opposed to providing basic labor protections for home care workers play on a fundamental human emotion: fear. We see these same fear-based arguments brandished whenever there are attempts to raise the minimum wage or enact worker friendly policies such as paid family and medical leave. Businesses—and their customers—we are told, can’t afford it! But there is no evidence to support this claim.

In this particular case, the argument goes something like this: If home care workers are paid at least minimum wage—and time and a half for hours over 40—then families will no longer be able to afford home care services, and elders and people living with disabilities will either be denied the care they need or forced into nursing homes. This argument is simply not true, as the facts attest:



➔ **Many states already provide protections...** In 21 states, home care workers already are guaranteed minimum wage; and in 16 of those states, some groups of home care workers have overtime protections. In these 21 states, including some with the nation’s largest Medicaid-home care programs (e.g., New York, Pennsylvania, Illinois), extension of federal wage laws will have little impact on employers’ responsibilities to their workers or the cost of care for their clients. Moreover, there is *no data* showing that states with basic labor protections have higher rates of institutionalization, further debunking the argument that fixing the federal “companionship exemption” would force more elders and people with disabilities into institutional settings.

➔ **The vast majority of home care workers don’t work overtime...** Less than 10 percent of home care workers report working more than 40 hours per week, according to nationally representative surveys. Plus, state and federal governments are the biggest payers, and the vast majority of states do not authorize high-hour cases that would require overtime. Furthermore, although those opposed to the regulations continually suggest that consumers will not be able to afford overnight care, overnight and live-in cases are a small minority of home care cases.

In fact, more than half of home care workers work part-time with many workers expressing the desire to work more hours. This means that employers can manage overtime by spreading the hours across more workers. This would limit the amount of overtime paid to workers and simultaneously create more full-time employment. Though some individual workers may be hurt by the loss of hours, this adjustment would benefit many home care workers who currently want to work more hours.

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The cost of compliance would be minimal... The Department of Labor estimates that the national cost of the proposed change is likely to amount to less than one-tenth of one percent of the industry's \$84 billion in annual revenues and a similarly small percentage of total Medicaid spending on home care services.

Reform could actually help lower costs... There is strong evidence that shows that low wages actually increase costs. How could this be? The answer is simple: it's all about turnover.

Turnover rates in the home care industry are exceptionally high, averaging around 50 percent annually! Why? In a 2007 national survey of home health aides, the primary reasons aides reported for leaving the job were low wages, insufficient hours, and lack of reimbursement for travel costs.

The cost of high turnover for employers is significant. The endless cycle of recruitment, training, and associated administrative tasks cost employers on average at least \$2500 per worker—that's an annual industry cost of somewhere between \$1.3 and \$2 billion.

High turnover also increases costs for taxpayers. Workers' annual earnings are currently so low that at least 40 percent of home care workers rely on public benefit programs such as Medicaid, food stamps and housing assistance. This is added burden for already stretched state budgets.

It's Time to Level the Playing Field

Many home care employers already are providing minimum wage and overtime protections for workers—either because they are required by state law or because they simply believe it is the right thing to do. This is also true for the for-profit home care franchises that claim they cannot absorb the cost of the proposed change in regulations. In fact, because they operate in multiple states across the country, many of their individual franchises are already complying with state minimum wage and overtime laws. Revising the companionship exemption will level the playing field for all home care businesses—establishing a compensation floor that cannot be lowered for a competitive edge.

Though ending the exemption won't necessarily increase wages for home care aides (though it will require employers to cover travel time between clients), providing basic labor protections sends a signal that the workforce is valued and respected. This recognition is a first step toward professionalizing and stabilizing the workforce, and thereby increasing the efficiency and effectiveness of long-term services and supports.

Take Action: The Department of Labor is currently accepting public comments on their proposed revision to the companionship exemption (RIN 1235-AA05).

Visit www.PHInational.org/fairpay for instructions on supporting the rule change.

Act Now, before the comment period ends!



PHI (www.PHInational.org) works to improve the lives of people who need home and residential care—and the lives of the workers who provide that care.

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