

Employers Can't Attract Direct-Support Workers with Current Reimbursement Rates

Results of a Survey by the Partnership for Fair Caregiver Wages

In the spring of 2014, the Michigan Legislature passed a law to increase the standard minimum hourly wage, via annual increases, from \$7.40 to \$9.25 by January 1, 2018. The Legislature did not provide any additional funding for the wages of direct-support workers, the employees of state-funded programs that care for and support some of the most vulnerable people in our state.

An estimated 44,000 direct-support jobs are funded through Medicaid appropriations to support and serve people with intellectual and developmental disabilities, mental illnesses, and substance use disorders. Employers of these workers depend on Medicaid funding provided through the Michigan Department of Health and Human Services, and unlike other businesses, have little or no ability to increase revenues to meet increased staff costs.

Even before the increases in the minimum wage, staffing shortages tied to low wage rates were creating soon-to-be-crisis-level consequences.

New survey paints a stark picture.

A recent survey (see page 4) sponsored by the Partnership for Fair Caregiver Wages highlights the challenge employers face in meeting the new minimum wage requirements.

The average starting wage for direct-support workers is \$8.69 per hour, but 28 percent of state Medicaid-funded employers pay a starting wage of less than \$8.50 per hour, the state minimum wage as of January 1, 2016. The majority pay an average starting wage of less than \$8.90 per hour, the minimum wage scheduled to go into effect on January 1, 2017.

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State Minimum Wage Effective 2017 \$8.90

Only 37 percent of employers have a starting wage at \$8.90 per hour or above



The Partnership for Fair Caregiver Wages is a coalition of state-wide organizations advocating for persons with disabilities, direct support staff, and employers as well as regional community mental health boards and individual employers. This coalition is seeking sufficient public dollars to raise the wages of direct support staff in Medicaid-funded programs supporting people with intellectual and developmental disabilities, mental illness, and substance use disorders. For more information, please contact Hollis Turnham at hturnham@PHInational.org or Robert Stein at rstein@miassistedliving.org.

Uncompetitive wages result in high turnover and many unfilled jobs.

An ever-changing stream of staff due to high turnover and unfilled jobs destroys the continuity of supports and services and undermines the quality of support for people with disabilities.

In one week, surveyed employers reported over 2,600 vacant jobs meant to support and serve people with disabilities.

The average annual turnover rate was 37 percent, though a sizeable number of employers report much higher rates. Almost half of responding employers (48 percent) have a turnover rate higher than the average, ranging from 38 to 97 percent.

High Turnover

Among those surveyed, a 37 percent turnover rate = loss of 6,308 employees in a single year.



The labor market has changed.

With the recent change in the state minimum wage, these state-funded direct-support jobs are now “minimum wage jobs.” This makes these challenging jobs even less attractive to workers who may find better wages in retail or food service.

The reality is that major retailers are raising their minimum wages to attract and retain employees. Michigan’s direct-service providers are competing for labor with companies like Target, Walmart and Costco, all of whom have announced their intention to increase starting wages.

To ensure that their state-funded programs caring for vulnerable residents can compete for workers, other states are stepping up to increase wages. Maine, for example, increased reimbursement for home and community-based providers from \$15 to \$25 per hour, and required that 85 percent of the increase go to the home care aides who deliver services.¹ New York has created a wage floor of \$10 per hour for its home care workers (the state minimum wage will be \$9 per hour at the end of 2015),² and Oregon will pay state-funded personal care aides \$14 per hour in 2016.³

Hourly Wages

Michigan Direct Support v. Major Retailers



Employers simply can't compete.

As this new survey shows, the vast majority of employers of direct-support staff cannot afford to raise starting wages to \$8.90 per hour—or higher—to compete in the open job market with such behemoths as Walmart, Target, and others.

Just over one third of providers are considering discontinuing some services, identifying staffing shortages and insufficient reimbursement rates as the primary reason for doing so.

Potential workers are already choosing other employment where they can earn the same or a better wage with much less responsibility than that of a front-line caregiver. If publicly funded employers can't afford to pay more than the minimum wage, they will not be able to provide the caregiving services that Michigan residents need.

Solutions needed to stabilize support services.

State policies must change so that employers can recruit and keep skilled direct-support workers to support the independence of people with developmental disabilities, mental illness, and substance use disorders.

The Partnership is asking for a \$1 per hour, per year wage increase for fiscal year 2017, 2018, and 2019 that will place starting and current wages at \$10–\$12 per hour.

By increasing the wage rate for direct-support workers, Michigan will demonstrate that caregiving is “not a minimum wage job” but is instead an important part of supporting and strengthening Michigan families and communities.

Direct-Support Workers Earning Poverty Wages

The average hourly wage for all direct-support workers is \$9.52 per hour (including new and incumbent workers). With full-time hours, these workers earn just \$19,801 annually, an amount just below the living wage earnings for a single person to live self-sufficiently (\$20,761), and less than half that required to raise a child as a single parent (\$44,322).⁴ But notably, half the workforce works less than full-time, reducing their annual earnings.

Data shows that over half of Michigan's direct-care workers (including direct-support workers, home health aides, and nursing assistants) rely on public assistance, including food and nutritional assistance, Medicaid, and housing assistance to support their families.

Direct-support workers provide vital services to Michigan's families, but they don't earn enough to be self-sufficient themselves.

HELP WANTED: Challenging Work – Minimum Wage

Provide support to people with intellectual and developmental disabilities, mental illness, and substance use disorders to live full, vibrant, and independent lives.

2,600
direct-support
workers are
needed *now*

Direct Support Employer Survey Results

Endnotes

- 1 Maine PCAs Will Receive Wage Increase (July 22, 2015). Found at: <http://phinational.org/blogs/maine-pcas-will-receive-wage-increase>
- 2 Home Care Worker Wage Parity Frequently Asked Questions (FAQs) (January 2014). Found at: https://www.health.ny.gov/health_care/medicaid/redesign/docs/2014-01-17_faq_information.pdf
- 3 Oregon PCAs Could Earn \$15/Hour by 2017 (September 3, 2015). Found at: <http://phinational.org/blogs/oregon-pcas-could-earn-15hour-2017>
- 4 **Dr. Amy K. Glasmeier** (2015). Living Wage Calculation for Michigan. **Massachusetts Institute of Technology**. Found at: <http://livingwage.mit.edu/states/26>.

About the Survey

The Partnership for Fair Caregiver Wages sponsored the survey of employers with the Michigan Assisted Living Association. The vast majority of the responding employers provide residential services (86 percent), community living supports (74 percent), and personal care (68 percent) to people with intellectual and developmental disabilities (96 percent) and mental illness (68 percent).

The response provides statewide representation of Medicaid-funded providers, with the majority of respondents working in Wayne, Oakland, and Macomb counties.

The 121 responding providers employ 17,409 direct-support workers, across the state. Half of direct-support workers work full-time.

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