



Double Trouble:

Taxpayer-Subsidized
Low-Wage Jobs
in Pennsylvania
Nursing Homes

By Stephen Herzenberg

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KEYSTONE
RESEARCH
CENTER

About The Keystone Research Center

The Keystone Research Center (KRC) was created to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy.

KRC conducts original research, strategic communications, and promotes public policies to solve important economic and social problems.

Established in 1996, KRC operates through the collaborative efforts of Pennsylvania citizens drawn from academia, labor, religious and business organizations.

Since its founding the Keystone Research Center has become a leading source of independent analysis of Pennsylvania's economy and public policy.

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About the Author

Stephen Herzenberg holds a Ph.D. in economics from MIT and has been Executive Director of the Keystone Research Center since 1996. At KRC, he helped found the Pennsylvania Culture Change Coalition in 2000. He also helped architect and implement Pennsylvania's national model "sector-based" workforce development strategy. Before KRC, Steve worked at the U.S. Congressional Office of Technology Assessment and the U.S. Department of Labor (USDOL). Steve's KRC publications are on line at www.keystoneresearch.org. His other writings include *Losing Ground in Early Childhood Education*, Economic Policy Institute, 2005; *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*, Cornell/ILR press, 1998; and *U.S.-Mexico Trade: Pulling Together or Pulling Apart?* Office of Technology Assessment, September 1992.

Executive Summary

Pennsylvania is an aging state and getting older – our state has the fourth-highest 85-plus age group, a group that is expected to grow by more than 400,000 by 2030. Many of these older Pennsylvanians will need nursing home care at some point in their lives.

Unfortunately, low wages for nursing home workers mean that many caregivers struggle to make ends meet and often qualify for public assistance to support their families. Low wages also contribute to turnover which affects caregivers' ability to deliver care.

Nursing home care is largely publicly financed through Medicaid and Medicare. Taxpayers and public officials have a right to demand that these tax dollars go to providing high-quality nursing care and living-wage jobs so we can rebuild the middle class in Pennsylvania.

Most frontline nursing home workers in Pennsylvania earn wages that don't support a family

The median wage for nursing assistants in Pennsylvania nursing facilities is currently \$13.01 per hour, or only \$27,061 per year for a full time worker (paid for 40 hours per week for all 52 weeks). This means that fully half of all nursing assistants in our state earn less than this amount per year. Dietary or housekeeping workers earn \$10 to \$11 per hour, roughly \$21,000 to \$23,000 per year for a full-time, full-year employee. For a single parent family with even just one child, these wages are below a living wage (a wage high enough for workers to support themselves without public assistance) in virtually every county in Pennsylvania.

Just over half (52%) of Pennsylvania nursing home workers surveyed say that they cannot support their families on the wages they earn. Sixteen percent say they work more than one job.

Taxpayers are subsidizing – in many cases “double-subsidizing” – poverty-wage jobs in Pennsylvania nursing homes

In 2013 taxpayers directly subsidized Pennsylvania nursing homes to the tune of \$5.9 billion – \$4.08 billion from Medicaid and \$1.7 billion from Medicare – amounting to two-thirds of all Pennsylvania nursing home revenue. The percentage of public funding in the for-profit sector is even higher – 81%. These public payments helped Pennsylvania nursing homes generate \$370 million in profits (including net income at non-profit facilities) in 2013.

At the same time, 14% of nurse aides and 28% of dietary workers say they or someone in their family receives public assistance. By way of example, to make ends meet one full-time nursing home worker in western Pennsylvania depends upon public supports for day care and health care for her children, at a cost to taxpayers of \$20,472 per year. Public assistance allows low-wage nursing home workers to get by when wages are inadequate and is an additional public subsidy to the industry, amounting to an estimated tens of millions of dollars per year.

Public dollars should be spent on living-wage jobs and rebuilding the middle class

Raising wages for nursing home workers will allow more families to support themselves without relying on public assistance. A minimum start rate of \$15 per hour at nursing homes would benefit nearly 50,000 workers. It would also put over \$300 million into their pockets, generating about 1,500 jobs at Pennsylvania businesses and generating over \$30 million in new tax revenue for the state and municipalities.

Even before considering the offsetting cost savings, lifting low-wage workers to \$15 per hour is affordable – amounting to an increase of only about 4% of total costs based on Medicaid cost reports filed by Pennsylvania nursing homes.

Some of the resources for lifting wages at the bottom should come from reining in excessive compensation at the top. In a recent seven-year period, the CEO of Manor Care received annual compensation averaging \$18.4 million, \$129 million in total. For an industry that derives most of its revenue from public sources, why are CEO salaries over 600 times the average nursing assistant's salary acceptable?

Living-wage jobs can improve care

Low wages contribute to high turnover and disrupt the caregiver-resident relationship that is at the heart of high quality care. Raising wages would reduce turnover, improving quality and saving recruitment costs that would help pay for higher wages. Based on industry estimates of turnover costs, cutting turnover in half from the industry standard of 66% for nursing assistants could, by itself, pay for a 60-cent per hour increase in caregiver wages.

Now is the time for a \$15 per hour minimum wage for nursing home workers

While the national push to lift wages to \$15 per hour began in the fast food industry and in selected cities, the time has come to include the Pennsylvania nursing home industry in this movement to reduce historically unprecedented levels of income inequality and restore basic fairness to our economy. Taxpayers and the public have the right to demand that their tax dollars promote good jobs that allow caregivers to support their own families and achieve the highest possible quality for consumers – not poverty jobs that impede efforts to improve quality of care for seniors and people with disabilities.

Recommendations

It's time for Pennsylvania nursing homes – an overwhelmingly publicly funded industry that is responsible for the care of some of our most vulnerable citizens, and a sector big enough to have a significant impact on our economy – to raise their minimum wage to \$15 per hour. No full-time nursing home worker in Pennsylvania should depend upon public assistance to make ends meet or to support her or his family. Raising wages for nursing home workers is affordable and will benefit thousands of nursing home workers and their families, improve care for seniors, and inject millions of dollars into the economy of our state.

Legislators and the Governor should begin by gaining a full understanding of the extent to which nursing home workers are dependent upon public assistance and the level of this subsidy to the industry.

- Lawmakers should pursue legislation that requires the nursing home industry to report the wages of its workforce so the public knows which facilities provide a living wage.
- Legislators should require nursing homes to reimburse the state for the cost of its full-time employees receiving Medicaid and other public assistance programs to which the state contributes.

Box 1.

Keystone Research Center: Promoting Quality Care and Quality Jobs in PA Nursing Homes Since 1997

This report reflects Keystone Research Center's two-decade commitment to research, policy, communications and advocacy to improve the quality of care and of jobs in Pennsylvania nursing homes. Our efforts began with the second report KRC ever published, in April 1997, *Pennsylvania's Nursing Homes: Promoting Quality Care and Quality Jobs*.¹ That report documented differences in the quality of nursing home care associated with systemic differences in the philosophy of care and in human resource practices including job quality.

That report (the research for which was also the basis for a chapter in a major U.S. Congressional report on nursing home staffing) captured the then-nascent "culture change" or "Pioneer" movement within the nursing home industry. After regulatory reforms in the late 1980s that increased inspections and established some sanctions for violations of federal regulations, leaders from within the nursing home industry came to believe that fundamental change in lives and jobs in nursing homes required change from within – culture change. The nursing home pioneer movement – and KRC – saw the challenge as making the best facilities typical and shrinking the share of homes delivering custodial care or substandard care that violates the dignity of both consumers and caregivers.

To further the effort to diffuse best-practice models of cares, KRC helped found the Pennsylvania Culture Change Coalition in 2000. The Coalition still exists today as a support group and peer learning network for champions of life-enhancing long-term care (see <http://paculturechangecoalition.org/>).

Since 1997, the national movement, and federal government support for (through CMS) culture change – now referred to as "resident-directed care" – have grown enormously. But implementation of higher quality practices, and the better jobs associated with them, have often lagged behind. A quality wage of \$15 per hour could be a centerpiece of a comprehensive new push in Pennsylvania to make high-quality resident-directed care the rule instead of the exception.

The Nursing Home Industry in Pennsylvania

Caring for seniors and people with disabilities is one of the most important jobs in our communities - for many who do the work, it is a calling. And it has to be because it's as physically and mentally stressful as it is rewarding.

Unfortunately, the wages of nursing home jobs are often so low that employees are barely able to make ends meet and often end up resorting to public assistance to support their families. At the same time, this report establishes that the nursing home industry – largely taxpayer funded through Medicaid and Medicare – can afford to provide living-wage jobs.

Nursing homes are a significant employer in the state and if we hope to aid the economic recovery and ensure that Pennsylvania's aging population receives the care it deserves, caregivers need a family sustaining wage.

Pennsylvanians are aging and will need long term care

Pennsylvania's population, like that of the rest of the country, is aging. Our state has the fourth-highest 85-plus age group, a group projected to grow to more than 400,000 residents by 2030.² The U.S. Department of Health and Human Services estimates that a person age 65 has a 70 percent chance of needing some type of long term care during her or his life.³

Nursing homes provide long term care – including skilled nursing services, medical care, meals, social and recreational activities, and activities of daily living such as bathing and toileting – that is largely funded through Medicaid. Nursing homes also provide short-term care often during post-hospitalization rehabilitation and typically paid for by Medicare.

In Pennsylvania, nursing homes exist in a variety of forms – state-run veterans' homes, county-run homes, hospital-based facilities, continuing care retirement communities which include a spectrum of services, faith-based facilities, very large national and state-based chains, and stand-alone facilities.

The changing face of nursing home ownership

The early-2000s saw a wave nursing home transactions including private equity companies taking over large, national chains. Three of the largest chains changed hands with Fillmore Capital,⁴ Formation Capital, and Carlyle (see Box 2) purchasing chains operating in Pennsylvania.⁵ The Government Accountability Office (2010) recently reported that, in 2009, private equity owned nearly 1,900 nursing homes.⁶ Where non-profit organizations owned just over half of Pennsylvania nursing homes in 2000, and for-profit corporations 42%, by 2012 a slight majority of homes (51%) were for-profits.⁷

Clearly, some private equity firms and other for-profit corporations look at the long-term demographic trends and historic profitability for Pennsylvania nursing homes and seem to be betting the industry will be a solid investment for the foreseeable future. As in other parts of the economy, the growing for-profit share of the nursing home industry has brought with it high CEO pay and high CEO-to-worker pay ratios (see Box 3).

Box 2. A Private Equity Firm Buys the Largest Nursing Home Chain in the Country

In 2007, the private equity firm The Carlyle Group purchased the HCR ManorCare chain, the largest nursing home chain in the country at that time.

David Rubenstein is the CEO and co-founder of the Carlyle Group.

Forbes Magazine estimates his net worth at \$2.9 billion.*

* <http://www.forbes.com/profile/david-rubenstein/>

Box 3. Ratio of CEO to Nursing Assistant Pay at HCR ManorCare – 674

As in other industries, low wages for nursing home workers exist alongside outsized pay for Chief Executive Officers.

At HCR ManorCare, for example, the compensation of CEO Paul Ormond averaged \$18.4 million in the six years (2000 to 2006) before the company was bought by the Carlyle Group – a cool \$129 million over the six years.* (While Ormond remains CEO,** his compensation has not been reported publicly since Carlyle bought the chain.) This translates into a ratio of CEO to median nursing assistant pay of 680.***

Reallocating half of this compensation to the front lines of care could lift about 2,200 Pennsylvania nursing assistants over \$15 per hour.***

The average annual compensation of all nursing home industry CEOs reported in our CEO compensation data base from 2000-13 (61 observations) was \$4.8 million per year.

* This and the other CEO compensation figures in this box are based on EPI analysis of Compustat's ExecuComp database.
**<http://www.bloomberg.com/research/stocks/private/person.asp?personId=319209&privcapId=319205&previousCapId=12735717&previousTitle=Acumen%20Fund,%20Inc>

***This assumes that ManorCare nursing assistants earned the average wage for Pennsylvania nursing assistants in May 2014 – \$27,330 based on Pennsylvania Department of Labor and Industry Occupational Employment Statistics data base.

Industry finances – public funding and continued profitability

Data in this section come from the Pennsylvania Department of Human Service's (formerly Public Welfare) Medical Assistance nursing home cost report database. All facilities that receive medical assistance are required to submit cost reports that account for revenue, expenses and other data, including staffing hours and costs. The following is based on available Fiscal Year 2013 reports from 632* nursing facilities that submitted cost reports and includes both not-for-profit and for-profit facilities, county facilities, and hospital-based facilities.

*One cost report was not included as its net income was an extreme outlier

Nursing home care is largely publicly financed through state and federally funded Medicaid and federally funded Medicare.

In 2013, the nursing home industry received \$8.8 billion in total revenue. Of this, Medicaid contributed over \$4.08 billion or 46 percent of the total revenue, while Medicare contributed 20 percent, or \$1.7 billion. The remaining third of the revenue is from private pay and other sources such as third-party insurance.

Within the for-profit sector, Medicaid accounted for 56 percent of total revenue and Medicare accounted for 25 percent of revenue. Within the not-for-profit sector, Medicaid and Medicare account for a smaller portion of the total revenue – 30 percent and 15 percent respectively. This publicly funded revenue has allowed Pennsylvania nursing homes to continue to generate considerable profit.

Source of Revenue	Amount (billions)	Share of Total (percent)
Medicaid	\$4.08	46%
Medicare	\$1.7	20%
TOTAL Public Funding	\$5.78	66%
TOTAL Private Pay and Third-party Insurance	\$3.0	34%
Total Revenue	\$8.78	100%
<i>Source.</i> Medicaid cost reports		

Pennsylvania nursing homes reported profits (i.e., net income) of over \$370 million in 2013, a margin of 4.2% on operating costs. (This includes net income generated by non-profits.)

“Where I work, one of the biggest problems is the employer regularly cancels shifts, and that is a big cut to paychecks. There is ALWAYS work to be done in a nursing home, but our employer regularly cancels three people a day. I can’t afford to lose the pay so I use sick time to make up hours. I hope to God I don’t get sick. In addition, the cost of health insurance is very expensive, and it feels like that eats up most of my check.

I can’t afford day care so I have to rely on my family to watch the kids. But if the grandparents get sick and can’t watch them, either I or my husband have to call off work.

Because of my wages, I qualify for food stamps. I receive \$300 per month, and that doesn’t last through the month. If I didn’t have my family helping with day care, and public assistance to lean on, I couldn’t go to work. The nursing homes are “double-dipping” – the state pays for them with tax dollars, and then they know we can get extra taxpayer supports.



Chelsie Carfagna
certified nursing assistant in Greensburg

Most Nursing Home Jobs Don't Sustain a Family

Pennsylvania nursing homes are a major employer in the state, employing 86,840 workers across the Commonwealth.⁸ Yet nursing home workers are part of the working poor. While some are below federal poverty levels, many lack enough income to meet current costs of food, housing, transportation, healthcare, and other essentials. Most work paycheck to paycheck and for many, the money runs out before the next check arrives. Most are one emergency or unforeseen expense away from economic catastrophe.⁹ Many are forced to work two jobs, take as much overtime as possible, or make other sacrifices just to raise their families.

Beyond inadequate wages, some nursing home workers are now faced with challenges to maintain their income as employers look for opportunities to cut costs by reducing hours for regularly scheduled employees or reducing full time schedules from 40 hours to 37.5 hours per week.¹⁰

For low-wage nursing home employees, even the smallest reduction in scheduled hours can impose significant hardship and forces many employees to use vacation time to maintain their paychecks (i.e., to take less vacation).

In 2015, the health care section of the Service Employees International Union in Pennsylvania -- SEIU Healthcare Pennsylvania -- which represents many nursing home employees, commissioned a survey of nursing home workers.¹¹ The results confirm that nursing home workers need a wage increase:

- 52% of nursing home workers say they cannot adequately support their families on the wages they earn
- 16% work more than one job
- 44% say it's become harder to make ends meet in the past 2-3 years
- 18% have been asked to work less than their regular schedule
- Of those, 38% have been asked once or more per pay period
- 37% say they are concerned their hours will be involuntarily cut in the coming year

According to the Pennsylvania Department of Labor and Industry, the median wage for a nursing assistant is \$13.01 per hour or \$27,061 per year for a full time worker.¹² This means that fully half of all nursing assistants earn less than this amount each year. For other occupations such as dietary or housekeeping, the hourly wage is typically \$2 or \$3 less, with annual wages for a full-time worker of \$23,000 per year or lower.

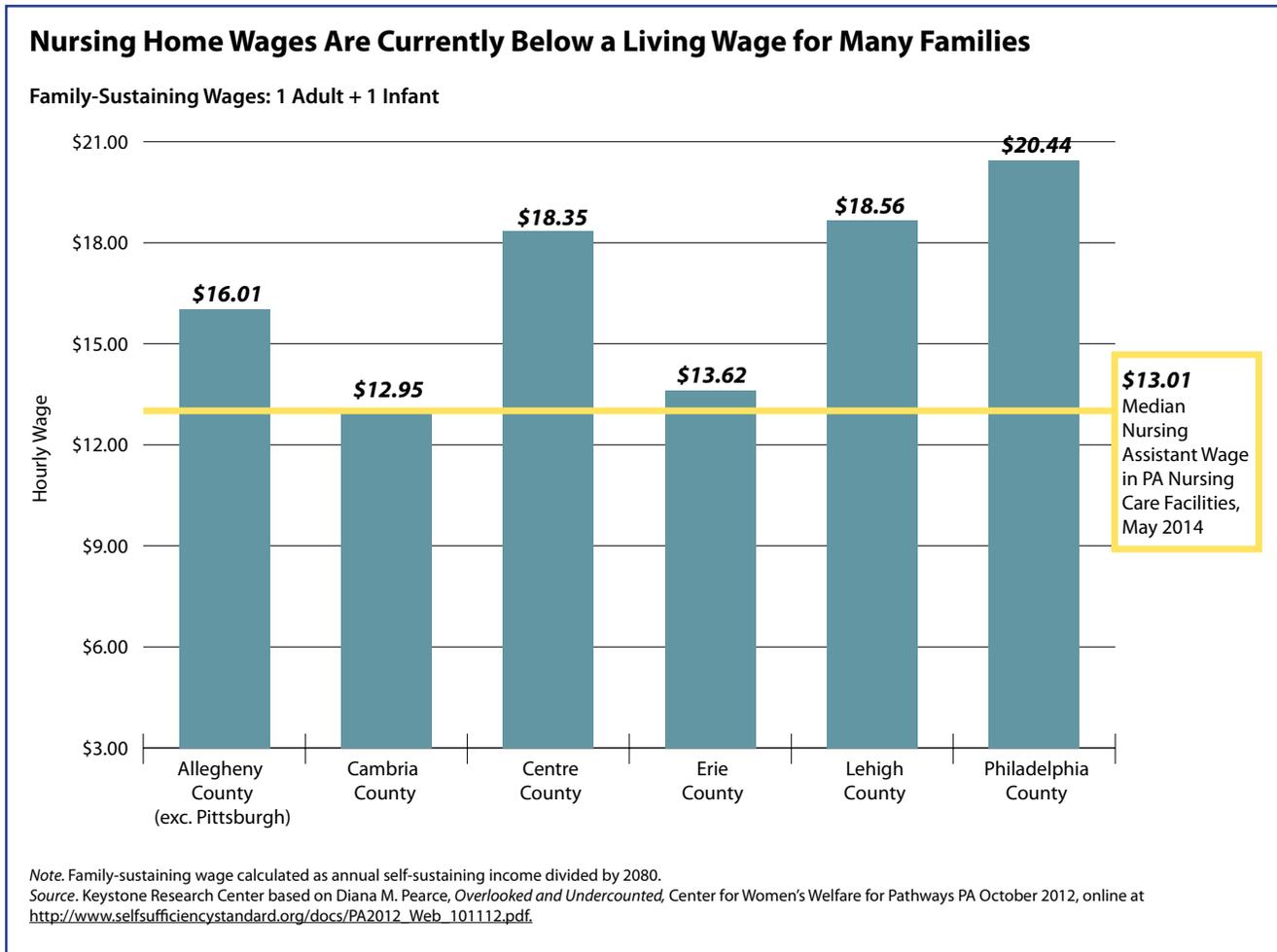
To fully understand the inadequacy of these wages and the extent which nursing home workers struggle, Figure 1 compares the nursing assistant hourly wage to the "Self-Sufficiency Standard," which measures how much income a family needs to adequately meet their basic needs without relying on public or private assistance. For a single parent even with only a single child, the median nursing assistant wage falls below a self-sufficiency wage in virtually all Pennsylvania counties (see Figure 1).

"I'm married with four children, and on what I make, there is no way I can make ends meet. It's not even close. With rent and then utilities, there's nothing left. We live paycheck-to-paycheck, and more often than not, we come up short. When that happens we figure out which bills are not going to get paid. We don't have a car, and we can't afford to go anywhere. We rely on public assistance. We get \$470 per month in food stamps, and my wife and kids get healthcare through Medicaid. If we weren't on public assistance, all six of us would be in a two-bedroom apartment, and I couldn't afford utilities."

Dharnell Bridges
laundry/
housekeeping in
Easton



Figure 1.



Pennsylvania nursing home workers are clearly not earning enough to support their families. In order for nursing home workers to approach a 'Self-Sufficiency Standard,' a wage of at least \$15 per hour is required.

Nursing home jobs and public assistance: a "double subsidy" from taxpayers to the industry

Not only are nursing home's low wages a hardship on employees, these wage levels also place an additional burden on all taxpayers – beyond the billions of dollars per year in direct payments to nursing homes – because many nursing home workers require public assistance to allow them to work. This hidden cost of low-wage nursing home work is as an additional public subsidy to the industry.

According to the 2015 nursing home worker survey:

- Fourteen percent of nurse aides say they or someone in their household receives public assistance.
- Twenty-eight percent of dietary workers say they or someone in their household receives public assistance.
- The biggest forms of public assistance used are food banks and food stamps.

Nursing home workers also turn to government assistance for healthcare, child care, heating assistance, and housing.

A recent study estimated that the cost of Medicaid, food stamps, the Earned Income Tax Credit and Temporary Assistance for Needy Families for working families averaged \$243 billion per year nationally from 2007 to 2011. The study estimated that over 25% of workers in “Health and Social Services” employment enrolled in one or more forms of public assistance.¹⁴

Health care workers in Pennsylvania depend on public assistance as well. In 2011, the Department of Public Welfare (now Human Services) released information on the enrollment in Medical Assistance of employees at select employers. Among the employers listed were two of Pennsylvania’s largest nursing home employers.¹⁵

According to the report, 370 employees from one employer and related companies received some form of Medical Assistance. Of these, 137 were full-time employees. The other employer lists 194 employees receiving some form of Medical Assistance. Of these, 62 worked full time.¹⁶ These two employers account for roughly one in nine nursing homes in Pennsylvania. If their workers’ dependence on Medical Assistance is representative, it suggests that about 5,000 nursing home workers depend on Medical Assistance alone.¹⁷

To get a sense of the overall cost to taxpayers, take the following actual example of one nursing home worker from western Pennsylvania who works full-time, but earns so little that she is eligible for a \$1,100 per month child-care subsidy and \$606 in health insurance for her children.¹⁸ Over 12 months, the low wages and lack of family health-care benefits in her job are costing taxpayers \$20,472 per year. This money is nothing less than a direct subsidy to her employer.

“I work in a nursing home because it’s fulfilling to know you are helping people. But it’s a struggle. We all want to provide a better life for our children than what we had. But that is not happening. My children don’t have what I had growing up. We don’t go to the amusement park, or go swimming, or visit the zoo.

If it wasn’t for public assistance, I couldn’t go to work every day – I’d be a welfare mother. I rely on Medicaid for my children’s health insurance and subsidized day care. There is no money for living. There is enough to survive, but not to live. And surviving includes public assistance from the state.

We don’t get paid enough, and we depend on help from the state. It’s been going on so long I thought it was normal. It’s a shame because my employer can afford to pay us enough to live, and not just survive.”

Leslie Housewart
certified nursing
assistant in
Pittsburgh



Public Subsidy	Monthly Cost	Annual Cost
Child-care Subsidy	\$1,100	\$13,200
Health Insurance	\$ 606	\$7,272
Total	\$1,706	\$20,472

The total cost of means-tested public assistance received by all nursing home workers undoubtedly runs to tens of millions of dollars per year.¹⁹

A careful study by state government could develop a more precise estimate of the cost of means-tested social programs received by nursing home workers. Whatever the final estimate, taxpayers clearly contribute a significant portion of the profits (and net income) of the nursing home industry through social supports to caregivers struggling to survive on inadequate wages.

Lifting the minimum nursing home wage to \$15 per hour will have an immediate impact on nursing home workers' ability to make ends meet.

We estimate that 46,340 nursing home workers are in occupations with an average wage below \$15 per hour. A minimum hourly wage of \$15 per hour for all nursing home workers would put an estimated \$311 million dollars in these workers' pockets, significantly improving their lives and pulling many out of poverty. (Appendix Table A1 contains the sources and basis for this estimate.)

Increasing wages for nursing home workers will have a broad impact on the economy

Raising the wages of nursing home workers will not only benefit nearly 50,000 nursing home workers directly, it will help rebuild the middle class and positively impact the economy. Since low-income workers spend virtually all of their income, increasing wages to \$15 per hour would inject most of the \$311 million in higher wages into low-income neighborhoods and the state's economy. To develop a rough gauge of the jobs impact, we rely on a model developed by the Economic Policy Institute to estimate the jobs impact of minimum wage increases in periods of depressed consumption and high unemployment – still the current situation in Pennsylvania.²⁰ Based on the EPI model, a raise to \$15 per hour would generate nearly 1,500 jobs.²¹

A \$311 million increase in wages of low-income workers would also generate additional state and local tax revenue. According to the Institute on Taxation and Economic Policy, the combined state plus local tax rate of Pennsylvanians in the \$20,000 to \$60,000 income range is between 10 percent and 11 percent.²² Thus the increase in wages could generate an additional \$31 to \$34 million in state and local tax revenue.

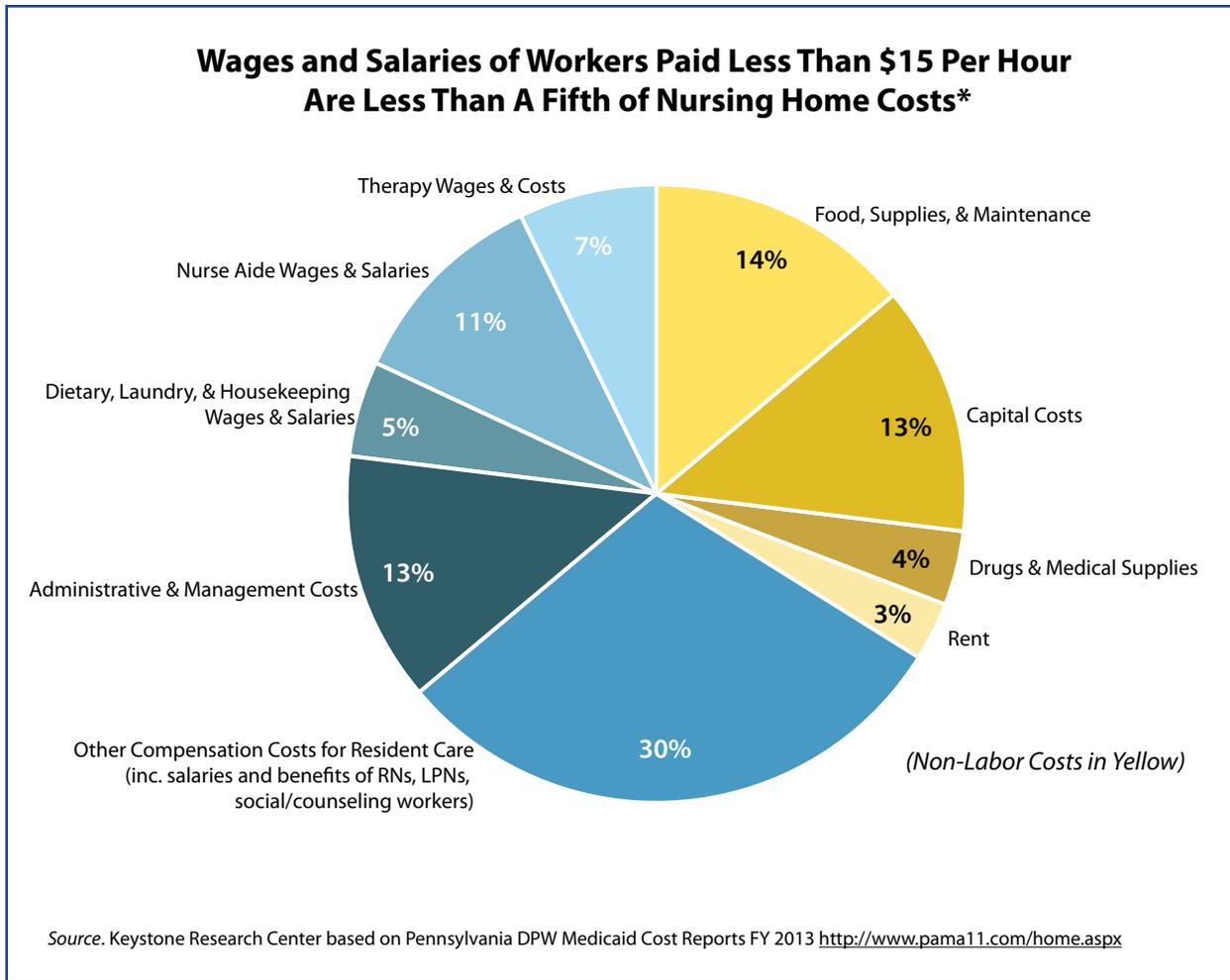
A \$15 per hour minimum wage in nursing homes is affordable

Raising the wages of frontline caregivers and support staff in Pennsylvania's nursing homes to \$15 per hour will benefit workers, their families, and the overall economy without significantly increasing the overall cost of nursing home care. In part because their wages are so low, nursing assistants and other workers earning less than \$15 per hour account for a relatively small part of total wage payments in nursing facilities. For example all nursing assistants account for only an estimated 27% of wage costs even though they account for 36% of employment. (Appendix Table A1.)

When one looks at the total cost picture of nursing homes, not just wages, the affordability of a \$15 per hour minimum wage becomes even clearer. According to Medicaid cost reports on Pennsylvania nursing homes, the wages of nursing assistants and other classifications of low-wage workers account for only 16% of total costs (Figure 2).

Before considering offsetting savings, and given the wage figures cited earlier, Figure 2 indicates that increasing nursing aide wages to \$15 per hour would cost about 2% of total costs. Raising lower wage dietary, laundry, and housekeeping wages would cost another approximately 2%. Taken together, a \$15 per hour minimum wage would increase costs about 4% – less than a nickel on the dollar for potentially dramatic improvements in the lives of nursing home workers and in care quality.

Figure 2.



Offsetting savings would result in even less impact of a \$15 per hour living wage on costs

In fact, when you consider savings that result from higher wages, the cost impact of paying a \$15 per hour nursing home minimum wage shrink further. One immediate saving would likely be a reduction in turnover. A 2010 industry study, for example, estimated that nursing assistant turnover costs \$3,500 each time someone leaves.²³ The same study notes that the industry average rate of turnover is 66%. Best-practice homes, by contrast, have turnover rates of less than 10% (and, in some cases, waiting lists of people who want to work there). Suppose a \$15 per hour nursing home “quality wage” minimum – implemented in combination with other best management practices that reduce turnover – drove down nursing assistant turnover to 33% from 66%. That would save one third of \$3,500 annually per nursing assistant – \$1,167 per assistant. That is almost enough to increase pay for nursing assistants by 60 cents per hour.

Now is the time for a nursing home \$15 per hour minimum wage

While the national push to lift wages to \$15 per hour began in selected cities and then in the fast-food industry, the time has come to include the Pennsylvania nursing home industry in this movement to reduce historically unprecedented levels of income inequality and restore basic fairness to our economy. Taxpayers and the public have the right to demand that their tax dollars promote good

jobs that allow caregivers to support their own families and achieve the highest possible quality for consumers – not poverty jobs that impede efforts to improve quality of care for seniors and people with disabilities.

Recommendations

It's time for Pennsylvania nursing homes – an overwhelmingly publicly funded industry that is responsible for the care of some of our most vulnerable citizens, and a sector large enough to impact the overall economy and labor market – to raise their minimum wages to \$15 an hour. No full-time nursing home worker in Pennsylvania should depend upon public assistance to make ends meet or to support her or his family. Raising wages for nursing home workers is affordable and will benefit thousands of nursing home workers and their families, improve care for seniors, and inject millions of dollars into the economy of our state.

Since paying at least \$15 per hour for nursing home workers is both the right thing to do and achievable, Pennsylvania policymakers should pursue a strategy to promote a \$15 per hour quality wage.

- Legislators and the Governor should begin by gaining a full understanding of the extent to which nursing home workers are dependent upon public assistance and the level of this subsidy to the industry. Lawmakers should pursue legislation that requires the nursing home industry to publicize the wages of its workforce including to enable the public to understand which facilities provide a living wage of \$15 per hour.
- Lawmakers should require nursing homes to reimburse the state for the cost of full-time nursing home employees' participation in Medicaid and other (partly) state-funded public assistance programs.

End Notes

¹ See Susan C. Eaton, *Pennsylvania's Nursing Homes: Promoting Quality Care and Quality Jobs*, Harrisburg, April 1997, online at http://keystoneresearch.org/sites/default/files/krc_qcare_qjobs.pdf. See also Susan C. Eaton, "Beyond 'unloving care': linking human resource management and patient care quality in nursing homes," *The International Journal of Human Resource Management*, 11(3), 2000, pp. 591-616; available online at <http://www.tandfonline.com/doi/abs/10.1080/095851900339774#.VSgY95OAtsU>

² Source: Pennsylvania Health Care Association; online at <http://www.phca.org/research/long-term-care-statistics.htm>

³ PA Joint State Government Commission. *Report of the Advisory Committee on Long Term Care Services and Supports for Older Pennsylvanians* (revised), August 2014.

⁴ Source: http://www.dealipedia.com/deal_view_acquisition.php?r=3732

⁵ Source: <http://articles.latimes.com/2007/jul/03/business/fi-manor3>

⁶ Government Accountability Office. (2011). *Complexity of private investment purchases demonstrates need for CMS to improve the usability and completeness of ownership data*. Washington, DC: Government Accountability Office.

⁷ PA Joint State Government Commission. *Report of the Advisory Committee*, p. 73.

⁸ Quarterly Census of Employment and Wages, second quarter of 2014.

⁹ SEIU Healthcare Pennsylvania, 2015 Nursing Home Worker Survey.

¹⁰ SEIU Healthcare Pennsylvania, 2015 Nursing Home Worker Survey.

¹¹ The survey does not include registered nurses.

¹² PA Department of Labor and Industry, Occupation Employment Statistics, May 2014.

¹³ Pathways PA. *Overlooked and Undercounted: How the Great Recession Impacted Household Self-Sufficiency in Pennsylvania*, 2012.

¹⁴ Sylvia Allegretto et al. *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast Food Industry*, U.C.-Berkeley Labor Center, Berkeley, CA, October 15, 2013; online at http://laborcenter.berkeley.edu/pdf/2013/fast_food_poverty_wages.pdf

¹⁵ PA Department of Public Welfare. "Number of Medicaid Recipients Employed by Selected Employers in PA as of August 1, 2011." Response to Right-To-Know Request No. 12-RTKL-297.

¹⁶ PA Department of Public Welfare. "Number of Medicaid Recipients Employed by Selected Employers in PA as of August 1, 2011." Response to Right-To-Know Request No. 12-RTKL-297.

¹⁷ This is comparable although a little lower than the estimate based on the SEIU survey, which found one in seven workers dependent on public assistance – one in seven of the 46,000 Pennsylvania nursing home employees in occupational categories earning below \$15 per hour would be nearly 7,000.

¹⁸ Interview with Leslie Housewart. February 2015.

¹⁹ If 5,000 employees received subsidies of as much as \$20,000 each, the total would be an additional subsidy of \$100 million. A recent study of home care workers by the National Employment Law Project: *Giving Caregivers a Raise*, February 2015 estimates the average yearly cost per enrolled family for the Earned Income Tax Credit, Medicaid/CHIP for children, Food Stamps, and Temporary Assistance for Needy Families to be \$12,600. The SEIU nursing home worker survey indicates that 14% of nursing home workers or their family rely on some form of public assistance. Multiplying \$12,600 times 14% of 46,340 (the number of nursing home employees in occupations earning under \$15 per hour) yields \$81.7 million.

²⁰ See David Cooper. *Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost*. Economic Policy Institute. December 2013.

²¹ This new spending would translate into an increase of GDP of \$196.9 million. Assuming full-time employment requires \$133,000 in additional GDP this translates into the creation of roughly 1,500 jobs. Job impact estimation methods can be found in: Doug Hall and David Cooper, How raising the federal minimum wage would help working families and give the economy a boost. Washington, D.C.: Economic Policy Institute; <http://www.epi.org/publication/ib341-raising-federal-minimum-wage/>. See also Josh L. Bivens. *Method memo on estimating the jobs impact of various policy changes*. Washington, D.C.: Economic Policy Institute, 2011; <http://www.epi.org/>

[publication/methodology-estimating-jobs-impact/](#)

²² Institute on Taxation and Economic Policy, *Who Pays? Pennsylvania State and Local Taxes in 2015*, January 2015; online at <http://www.itep.org/whopays/states/pennsylvania.php>

²³ Linda Barbarotta, *Direct Care Worker Retention: Strategies for Success*, Institute for the Future of Aging Services, Washington D.C., January 2010, p. 5; online at http://www.leadingage.org/uploadedFiles/Content/About/Center_for_Applied_Research/Publications_and_Products/Direct%20Care%20Workers%20Report%20%20FINAL%20%282%29.pdf

Appendix

Occupation Code(s)	Simplified Occupational or Occupational Group Title	Employment	Percent of Total Employment	Mean hourly wage	Share of Total Wage Costs, All Occupations	Increase in Wages (millions) from Lifting the Average to \$15.50 Per Hour
31-1010	Nursing, Psychiatric & Home Health Aides	27,210	36.1%	\$12.96	27%	\$143.8
35-2010 to 35-9020 (six detailed occupations)	Food Workers, Non-Supervisory	6,720	8.9%	\$10.75	5%	\$66.4
14 detailed occupations	Other Occupations with an Average Hourly Wage Below \$15	12,410	16.5%	\$11.59	11%	\$100.8
20 detailed occupations	Occupations with Average Hourly Wage Above \$15 but Median Wage Below \$20	4,070	5.4%	\$18.67	6%	
21-2010	Licensed Practical & Vocational Nurses	9,440	12.5%	\$21.53	15%	
29-1120, 31-2010, 31-2020	Therapists, Assistants & Aides	2,680	3.6%	\$33.49	7%	
11-9150, 21-1010, 29-2060, 51-1010	Social Workers, Counselors, and Clergy	930	1.2%	\$22.35	2%	
20 detailed occupations	Other Occupations with Median Hourly Wage Over \$20	2,610	3.5%	\$36.14	7%	
30 detailed occupations	Other (groups with suppressed data)	9,240	12.3%	\$16.06	11%	
	Occupations with Average Hourly Wage Below \$15	46,340			43%	\$311.0
	All Occupations	75,310	100.0%	\$17.53	100%	\$311.0

Source. Keystone Research Center based on Occupational Employment Statistics data for NAICS code industry 623100, Skilled Nursing Facilities; data provided by the Pennsylvania Department of Labor and Industry