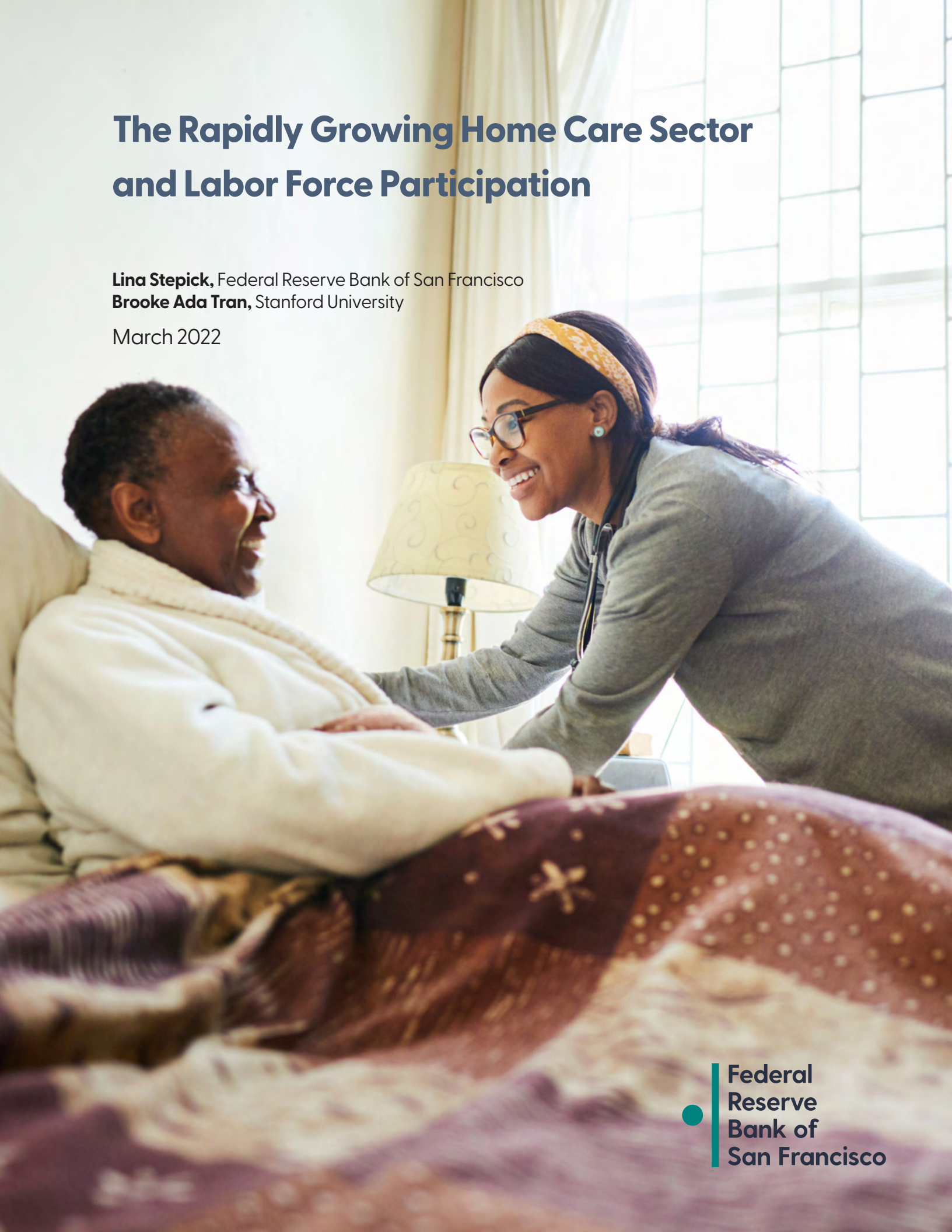


The Rapidly Growing Home Care Sector and Labor Force Participation

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Disclaimer

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The Rapidly Growing Home Care Sector and Labor Force Participation

1. Introduction

The COVID-19 pandemic has shed light on the growing need for home care workers, who support their elderly and disabled clients in their homes with activities of daily living, and on the challenges of recruiting and retaining workers in the industry. This brief describes the state of the home care sector and its connection to the economy. It looks at home care as a rapidly growing industry facing significant challenges and at home care's role in enabling working-aged family members to participate in the labor force,¹ which supports the Federal Reserve's maximum employment mandate.

There is an expanding need for home care in the United States, as the proportion of the population aged 65 and over rises.² Home care is projected to add the largest number of jobs of any occupation over the next 10 years.³ At the same time, home care workers earn low wages and face challenging working conditions, factors that may be contributing to high turnover in the industry⁴ and a rising home care worker shortage.⁵

Although low wages pose challenges to home care worker recruitment and retention, long-term care is unaffordable for many families. Medicaid pays for the majority of home care costs in the United States; however, many states have Medicaid waitlists for long-term care, and Medicaid eligibility requires individuals to have limited assets or to spend down the countable assets they have.⁶ To fill the long-term care affordability gap, many family members—disproportionately women—provide unpaid care, often reducing work hours or dropping out of the labor force entirely.⁷ Studies estimating the economic impacts of increased public funding for home care find that such investments have economic implications, such as reductions in worker turnover and in reliance on social safety net programs, increases in tax revenues and consumer spending due to wage increases, and higher salaries of those who would otherwise reduce their work hours or drop out of the labor force to provide unpaid family care.⁸



Improving home care worker wages, benefits, and working conditions and expanding access to subsidized home care has significant equity implications as well. The home care workforce is composed disproportionately of women of color and immigrant women.⁹ Unpaid family caregivers are also disproportionately women, many of whom reduce their own work hours or leave the labor force when they lack sufficient access to affordable, professional home care.¹⁰

In 2020, many states used pandemic subsidies to expand eligibility for Medicaid-funded home care services and to give home care workers retainer payments.¹¹ However, with those subsidies expiring, industry researchers have noted that many home care agencies have reduced the worker recruitment and retention incentives they offered in 2020; thus, low wages persist, and worker turnover rates remain high.¹² Improving pay, recruitment, and retention in this rapidly growing and disproportionately women of color workforce could not only support this sector, but also enable labor force participation and contribute to a more equitable economy.¹³

2. Professional Home Care Is a Growing and Challenged Sector

2.1 What Is Home Care?

Professional home care work is one of the fastest-growing occupations in the country and includes a wide range of work activities that do not require a nursing degree to perform.¹⁴ These tasks can include support with bathing, dressing, using the toilet, mobility, cooking and mealtimes, cleaning, medication reminders, basic wound care, companionship, and more. Home care work is also described in different states and agencies by multiple titles, such as home health aide, personal support worker, personal care worker, hospice home care worker, and more.¹⁵

Home care work is highly variable, and workers often serve multiple clients with different needs. Home care workers may develop preferred work areas, such as in care needs related to hospice care, dementia, autism, or other areas with specific support needs. The intensity and duration of this care can be wide-ranging. Some clients may require around-the-clock support for months or years at a time, while others may need support for a few hours per day or week indefinitely or for different durations.

Clients and their families find this care through a wide variety of referral mechanisms, such as primary and specialist medical professionals, case managers, managed care organizations, medical discharge staff at hospitals, long-term care facilities, the U.S. Department of Veterans



Affairs, state home care commissions, public or private registries, and word of mouth. Depending on the state system, in addition to receiving care from unpaid family caregivers, clients and their families may employ professional home care workers directly or through a public state agency, a private home care agency, or a worker cooperative. Public programs, such as Medicaid or Medicare, may pay for some of a client's home care costs, or clients and their families may pay out of pocket.

2.2 The Need for Home Care Is Rising

There are now over 56 million people aged 65 or older in the United States, including over 6.5 million who are older than 85, the latter of which is the nation's fastest-growing age demographic.¹⁶ This rapidly aging population has significant implications for home care. The population of older adults who will need care and the younger workforce who will provide that care is not projected to grow apace.¹⁷

Despite the home care worker shortage, both seniors and their adult children expect to increase their use of professional home care, particularly for household supports and mobility assistance.¹⁸ The U.S. Department of Health and Human Services (HHS) estimates that 70 percent of adults who are currently aged 65 and over will need long-term services and support at some point in their lives, for an average of three years, with a growing number needing support for five years or longer.¹⁹ Ninety percent of those aged 65 or older in the United States want to age in place in their own homes and communities.²⁰

Many experts consider aging in place with home care support to be the ideal form of long-term care. It enables elderly individuals to remain in familiar and comfortable settings in their homes while their physical and cognitive abilities decline with age.²¹ Aging in place is associated with several medical and emotional benefits because it enables individuals to maintain social ties and autonomy.²²

Home care fills a specific and rapidly growing niche in the long-term care continuum for elderly and disabled individuals who desire to stay in their homes. For many, the COVID-19 pandemic has led to an increased awareness of home care as an alternative to long-term care facilities, which have been particularly vulnerable to outbreaks of the virus.²³ Aging in place with professional home care support is also less expensive than nursing home care.²⁴ In addition to supporting elderly individuals



to age in place, personal support aides provide home care to disabled individuals of all ages so that they can maintain autonomy and independence in their own homes.

2.3 The Home Care Workforce Is Growing Rapidly

Due to our aging population and the support needs of disabled individuals, the need for home care workers is growing rapidly. In the past decade, the home care workforce nearly doubled in size to over 3.2 million workers.²⁵ Among health care workers, home care workers are the largest occupation, and they receive the lowest wages.²⁶ Home care is also one of the fastest-growing occupations across all industries. The Bureau of Labor Statistics predicts that home care will add more than 1.1 million new jobs by 2029, exceeding the numbers of new jobs projected to be added in any other occupation.²⁷ However, the demand for home care workers still far exceeds the supply; over half of home care employers report that they are serving more clients than they did in the previous year, while struggling to recruit and retain skilled workers.²⁸

2.4 Who Are Home Care Workers?

Professional home care workers are disproportionately women of color. Nationally, 88 percent are women, 44 percent are people of color, 38 percent are women of color, and 26 percent are foreign-born. For comparison, the U.S. working population is 14 percent women of color and 17 percent foreign-born. The median age of professional home care workers is 50 years old. 85 percent have at least a high school diploma, including 12 percent who have an associate degree.²⁹

2.5 Home Care Workers Receive Low Wages and Face Racial Disparities

Home care workers earn the lowest wages of any health care occupation, with a median wage of \$12.15/hour and a median annual income of \$25,280 in 2019. This increased to \$13.02/hour and \$27,080 annually in 2020,³⁰ though those increases may prove temporary as they were largely due to pandemic Medicaid subsidies.³¹ Because of their unique employment situation and low median wages, many home care workers struggle to access affordable, quality health insurance. Fifteen percent of home care workers do not have health insurance. Of those who do, 35 percent are covered under Medicaid.³²

Within the home care workforce, stark racial disparities are evident in workers' finances. Black and Hispanic³³ home care workers tend to face higher rates of poverty than their white counterparts. Twenty-five percent of Black home care workers and 23 percent of Hispanic home care workers



are below the poverty line, compared with 16 percent of white home care workers. Black and Hispanic home care workers also rely more heavily on social safety net programs that provide food assistance and health insurance coverage. Thirty-six percent of Black workers and 37 percent of Hispanic workers receive food stamps, compared with 21 percent of white workers. Thirty-five percent of Black workers and 45 percent of Hispanic workers receive health coverage through Medicaid, compared with 23 percent of white workers.³⁴

Scholars have noted that the low wages and racial disparities that home care workers face are not coincidental, but rather result from historical and contemporary racialized occupational segregation.³⁵ As domestic workers, home care workers were excluded from basic labor protections, including minimum wage and overtime, under the Fair Labor Standards Act (FLSA) of 1938. At that time, the majority of domestic workers were Black women, and scholars have documented that these exclusions were based in anti-Black racism.³⁶ Seventy-seven years later, in 2015, a Department of Labor rule change went into effect that expanded FLSA to include domestic workers who do not primarily perform companionship services.³⁷ This means that most home care workers are now subject to the federal minimum wage and overtime standards.³⁸ However, several states also maintain companionship exemptions. So, in cases where the state minimum wage is higher or the state overtime standards are stronger than they are at the federal level, this can leave home care workers earning the lower federal minimum wage or subject only to weaker federal overtime standards.³⁹

2.6 High Home Care Worker Turnover Has High Costs

Low wages and challenging working conditions contribute to high rates of home care worker turnover. Home care worker turnover averages 65 percent over the course of a year,⁴⁰ but many workers leave earlier. Thirty-seven percent of home care workers leave their position within 90 days, including 21 percent who leave in the first 30 days on the job.⁴¹ These high turnover rates exacerbate the industry's labor shortage, and the majority of employers in the field cite turnover and worker shortages as their most significant challenges.⁴²

These worker shortages limit business growth and the ability to provide care for those who need it. Seventy-four percent of home care providers report having to turn away clients referred to their agencies due to worker shortages. On the other hand, the majority (52 percent) of home care providers agree that increasing compensation and benefits is key to improving recruitment and



retention.⁴³ Replacing a low-wage worker, such as a home care worker, is estimated to cost 16 percent of the worker's annual wages.⁴⁴ Therefore, improving worker retention holds potential to reduce employer costs from turnover even while increasing wages.

In addition to low wages, home care workers face several on-the-job hazards that contribute to burnout and turnover. Home care is a physically demanding occupation, and home care workplace injury rates are higher than the national average.⁴⁵ Working in individual clients' homes can be isolating, leading to challenges in moving clients without help and to potentially dangerous situations when clients or other people in the home become violent.⁴⁶ Fifty percent of home care workers report experiencing verbal abuse on the job, 27 percent have experienced workplace aggression, 24 percent have experienced workplace violence, 26 percent have faced sexual harassment, and 13 percent have had to contend with sexual aggression. These hazardous working conditions contribute to high turnover, as experiencing any of these forms of workplace abuse is associated with heightened stress, depression, sleep problems, and burnout for home care workers.⁴⁷

3. Unpaid Family Caregiving Reduces Labor Force Participation

In addition to professional home care workers, who may include family members paid by public home care funding in states where this is permissible, about 53 million people in the United States provide unpaid home care for elderly and disabled family members or friends and neighbors.⁴⁸ This includes large numbers who are in their prime wage-earning years. The median age of unpaid family caregivers is 51 years old. Eighty-two percent of these unpaid family caregivers⁴⁹ are under age 65, while 46 percent are under age 50.⁵⁰ The majority (61 percent) of family caregivers are women. Unlike professional, paid home care workers, who are disproportionately women of color and immigrants, family caregiver racial and ethnic demographics roughly reflect those of the general population.⁵¹

A national study conducted by the American Association of Retired Persons (AARP) found that the majority (89 percent) of unpaid family caregivers provide care to a family member. This figure includes 50 percent who care for a parent or parent-in-law, 12 percent who care for a spouse or partner, 8 percent who care for a grandparent or grandparent-in-law, and 6 percent who care for an adult child, while about 10 percent care for a friend or neighbor.⁵² Forty percent of family caregivers provide care to someone in their same household, but this varies by race and ethnicity.



Family caregivers of color are more likely than white caregivers to live in the same household as the person they care for, with 51 percent of Asian American caregivers, 48 percent of Hispanic caregivers, and 45 percent of Black caregivers living in the same household, compared with 36 percent of white caregivers.⁵³

Additionally, large numbers of family caregivers provide care to multiple people (24 percent).⁵⁴ While the majority of family caregivers provide care for adults only, 9 million people in the United States are the primary caregivers for both adults and children with medical or behavioral conditions or disabilities.⁵⁵ This figure includes members of the “sandwich generation,” who care for elderly parents while also raising children.⁵⁶ These multiple caregiving responsibilities place compounded physical, emotional, and financial strains on individuals and families as they navigate employment and health care decisions. Further, the COVID-19 pandemic has placed additional pressures on home care workers and unpaid family caregivers. Family caregivers have taken on an average of nine additional unpaid caregiving hours per week to care for elderly and disabled loved ones during the pandemic.⁵⁷

3.1 Unpaid Caregiving Comes With Direct Costs and Opportunity Costs

Care is expensive, whether in institutional settings, by professional home care workers, or by unpaid family caregivers. On average, unpaid family caregivers provide 24 hours per week of unpaid labor. Seventy-eight percent of unpaid family caregivers cover an average of \$7,242 out of pocket each year in direct expenses, such as covering their family members’ rental or mortgage payments, home accessibility modifications, or medical expenses.⁵⁸ These unpaid family caregivers make financial sacrifices to provide unpaid care, with 45 percent experiencing at least one financial impact. To pay for their loved ones’ care needs, 28 percent have stopped saving, 23 percent have taken on debt, 19 percent report not being able to pay bills on time, about 17 percent reduce their own retirement contributions, 10 percent withdraw retirement savings, 30 percent use personal savings, 14 percent reduce their own health care expenses, and 11 percent report being unable to afford food and other basic expenses.⁵⁹

In addition to these direct costs, unpaid family caregiving incurs indirect costs in terms of reduced labor force participation. Sixty-one percent of unpaid family caregivers report experiencing at least one impact on their employment due to caregiving responsibilities. This can lead to underemployment, as 15 percent of unpaid family caregivers reduced their hours from full- to part-



time employment.⁶⁰ Overall, more than half of unpaid family caregivers report needing to take time off from work, reduce their work hours, or leave the labor force altogether to fulfill their caregiving responsibilities.⁶¹

When valued at a replacement wage, one estimate suggests that the average value of unpaid family caregiving is estimated to be at least \$111,000 per family over the average period of long-term care⁶² and \$470 billion in total.⁶³ However, this calculation of the value of unpaid family caregiving labor is a calculation just of the value of the unpaid caregiving provided. This calculation does not take into account the net loss to the economy of unpaid family caregivers who incur costs to provide that care, including reduced income by decreasing their work hours or leaving the labor force entirely. Such employment disruptions can have lasting impacts on promotion opportunities, benefits eligibility, lifetime earnings, and retirement savings.⁶⁴ One study found that family caregivers who leave the labor force early to care for a loved one lose an average of \$392,924 in wages, social security, and pension benefits. Cumulatively, this represents a loss of about \$3.9 trillion from unpaid family caregivers leaving the labor force over their lifetimes.⁶⁵

Because the majority of unpaid family caregivers are women, these financial impacts have gender equity implications as well. Compared with women, men who are unpaid family caregivers are more likely to be salaried employees.⁶⁶ Notably, Black women are the demographic most likely to juggle both unpaid caregiving and hourly wage work.⁶⁷ Overall, women caregivers drop out of the labor force three times as often as men due to unpaid caregiving responsibilities, and 20 percent of all unpaid family caregivers leave the labor force entirely.⁶⁸ Almost half of unpaid family caregivers who stopped working report that they had to stop paid employment because they needed more time to provide care.⁶⁹ Additionally, others cited employment barriers that prevented them from continuing to work while caregiving, including lack of flexible hours and paid time off.⁷⁰

In contrast, workplace leave benefits, where unpaid family caregivers are able to take paid time off from work to provide necessary care, are associated with unpaid family caregivers' being able to continue working.⁷¹ In addition to workplace leave policies, investments in professional home care can also help unpaid family caregivers participate in the labor force. A Harvard study of the impacts of state-level Medicaid policy that increased use of professional home care workers by 50 percent found that this increase resulted in professional home care workers replacing family caregivers. This expansion of Medicaid-funded home care allowed family members—particularly women—to participate in the labor force.⁷²



Specifically, among women caring for parents, for every 2.4 to 3 women whose parents received professional home care due to this policy, an additional woman was able to work full-time.⁷³ Such support for professional home care has the potential to help a large number of family caregivers participate in the labor force, because currently only 36% of unpaid family caregivers have any form of professional, paid caregiving support.⁷⁴ Although expanded Medicaid has allowed more women who care for parents to participate in the labor force, the benefit is limited to those eligible for Medicaid. Nevertheless, making home care accessible and affordable to more families may have significant implications for equitable economic growth.

Supporting unpaid family caregivers to participate in the labor force also could result in significant economic gains.⁷⁵ An AARP study with family caregivers who are 50 years old or older estimates that supporting them to participate in the workforce could lead to additional GDP growth of 5.5 percent in 2030 and 6.5 percent in 2050.⁷⁶ As 46 percent of family caregivers are under age 50, supporting all family caregivers to participate in the labor force has the potential to deliver even greater gains to the economy.

4. Home Care Is an Expanding but Fragmented Industry

The U.S. home care market is growing rapidly, with revenue rising from \$78.5 billion in 2011 to \$109.6 billion in 2021.⁷⁷ It is a fragmented market in terms of number and types of providers, employment relationships, funding sources, referral mechanisms, and varying state regulations. In addition to home care workers who are employed directly by clients without a third-party public or private agency joint employer, there are 429,045 registered home care businesses. No single entity has more than a 5 percent market share.⁷⁸ The majority of registered establishments are small businesses, with 77 percent employing fewer than 50 workers, including 63 percent that have fewer than 20 employees.⁷⁹

Because these small businesses may struggle to access capital, some community development financial institutions (CDFIs) are stepping in to fill this financing gap. On the other end of the spectrum, as the industry and the need for home care grows, hospitals and large health care corporations are increasingly considering adding hospice home care and other home care services to their business models. Home care worker associations have also created worker cooperatives and nonprofit partnerships to administer referral networks in an effort to set industry standards and help clients find home care workers. Depending on the state and funding sources used to pay for



home care, clients then employ these workers either directly or jointly with a public agency or private company.

4.1 Home Care Costs and Funding Sources

Since home care allows individuals to stay in their homes, it is a less expensive long-term care option than nursing home care.⁸⁰ Still, home care is unaffordable for many, costing \$4,576 per month or \$54,912 per year, on average, nationally.⁸¹ Long-term care costs are expected to continue to increase across the board, with home care costs projected to increase to \$6,150 per month or \$73,797 per year, on average, by 2030.⁸²

Public funding covers about 71 percent of all home health care nationally.⁸³ This figure includes a small amount of home care for more acute, shorter-term cases, such as hospice care, which is more likely to be covered by Medicare and private health insurance. It also includes the larger portion of publicly funded home care support with activities of daily living, which is covered by Medicaid and paid for out of pocket. State, local, and smaller federal sources of home care funding, such as funding from the U.S. Department of Veterans Affairs, cover some home care costs as well.

States determine how these public funds for home care can be spent. Publicly funded home care varies by state and can include contracts with private agencies or consumer-directed home care selection that is reimbursed by state agencies for eligible clients. In many consumer-directed state programs, the majority of home care workers are family members of their clients. This allows family caregivers to participate in the labor force, though their wages and earning potential are limited.⁸⁴

However, public funds for home care are limited. This means that not every elderly or disabled client receives all the home care hours they need, or any hours at all. In 2018, there were about 820,000 adults on state Medicaid waitlists for home care.⁸⁵ Even in states without Medicaid waitlists, many families struggle to access sufficient affordable care. To qualify for Medicaid, individuals must spend down countable financial assets first, based on state limits.⁸⁶ This requirement may leave many in financial limbo—unable to adequately pay for care out of pocket and unable to qualify for publicly funded care.

Nationally, private long-term care insurance does not adequately fill this gap, as it is expensive and relatively uncommon, comprising only about 10 percent of industry revenue.⁸⁷ The long-term care insurance industry also has contracted significantly in recent decades,⁸⁸ with the numbers insured



decreasing while premiums rise and benefits stagnate.⁸⁹ In practice, individuals and their families may combine publicly funded home care with additional hours paid for out of pocket through private home care agencies or directly to individuals, and fill in gaps with unpaid family caregiving.⁹⁰

5. Implications for Policy and Practice

Home care is essential for the U.S. economy and for the autonomy of disabled individuals and the rapidly growing older population. Professional home care enables unpaid family caregivers, who are disproportionately working-aged women, to participate in the labor force at their regular hours and salary levels.⁹¹ However, numerous challenges in this industry remain. Home care is unaffordable for many families, and Medicaid subsidies may be difficult to access with specific eligibility requirements⁹² and state waitlists.⁹³

Low wages and challenging working conditions also pose obstacles for home care worker recruitment and retention,⁹⁴ with turnover at 65 percent annually.⁹⁵ Increasing wages and benefits holds potential for reducing worker turnover, and jurisdictions that have done so have seen significant declines in turnover.⁹⁶ Some studies also estimate that increasing home care worker wages could result in overall gains to the economy and public savings,⁹⁷ as home care workers would be less reliant on public safety-net programs.⁹⁸

In addition to wage increases, expanded access to benefits—either publicly provided or employer provided—is associated with reduced home care worker turnover.⁹⁹ Professional development opportunities for home care workers that are tied to wage increases and improved competencies in specialization areas can lead to greater worker satisfaction, with implications for worker retention.¹⁰⁰ Some jurisdictions have created shared services models to deliver such benefits, as well as worker training.¹⁰¹ Because the home care industry has varied and unique employment structures, shared services models may facilitate providing benefits and career ladders to workers who otherwise might struggle to access workplace benefits or increased wages and training. To support these efforts and the small businesses that make up the majority of registered home care firms in their efforts to increase worker recruitment and retention, CDFIs may consider how best to support agencies with access to smaller capital loans. CDFIs are particularly well positioned to consider the needs of such small businesses that are operated by and serve low- and moderate-income people of color.



Additionally, access to paid-leave benefits has a significant effect on labor force participation of unpaid family caregivers, who are more likely to remain employed if they can take paid leave to care for loved ones.¹⁰² Expanded funding for home care through public trust worker payroll tax models,¹⁰³ employer-provided long-term care insurance, or expanded eligibility for Medicaid could be explored to support unpaid family caregivers' labor force participation.¹⁰⁴ Multiple stakeholders across sectors have an opportunity to support labor force participation and equitable economic growth by engaging with this rapidly growing sector.




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⁹⁶ For example, in San Francisco, union home care workers who negotiated wage and benefit increases reduced turnover from 74 percent to 39 percent. Howes, Candace. 2005. [“Living Wages and Retention of Homecare Workers.”](#) *Industrial Relations: A Journal of Economy and Society* 44 (1): 139–63. See also: Houseworth, James, Sandra L. Pettingell, Julie E. Kramme, Renata Tichá, and Amy S. Hewitt. 2020. [“Predictors of Annual and Early Separations Among Direct Support Professionals: National Core Indicators Staff Stability Survey.”](#) *Intellectual and Developmental Disabilities* 58 (3): 192–207.

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⁹⁸ A study of projected impacts of raising home care worker wages in New York State finds that the projected economic benefits through economic spillover effects, new income and sales tax revenues, reduced public assistance use by home care workers, and gains from increased productivity and reduced turnover are almost double the projected costs from increased wages, benefits, and payroll taxes. The New York study estimates that an investment of \$3.96 billion in raising home care worker wages would result in an economic benefit of \$7.6 billion and a net gain of \$3.7 billion to the state economy, with even larger estimated gains from a larger investment in higher wages. Jaboula-Carolus, Isaac, Stephanie Luce, and Ruth Milkman. 2021. [“The Case for Public Investment in Higher Pay for New York State Home Care Workers: Estimated Costs and Savings.”](#) City University of New York (CUNY) Graduate Center.

⁹⁹ For example, although 11 percent of home care workers who do not have paid sick days or unpaid family leave benefits left their jobs, only 6 percent of those who had access to those benefits did. AARP. May 2020. [“Caregiving in the U.S.: Family Caregiving.”](#)

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¹⁰¹ For example, Oregon and Washington have shared-services models for administering training and benefits, and shared-services models are in place in multiple jurisdictions for child care (see, for example: [Shared Services as a Strategy to Support Child Care](#)).

¹⁰² AARP. May 2020. [“Caregiving in the U.S.: Family Caregiving.”](#)



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- ¹⁰³ In 2019, Washington State passed the first state-level social insurance program for long-term care. Workers contribute \$0.58 per every \$100 earned to a trust for a specified number of years. Those who are eligible receive a benefit of up to \$36,500 toward the costs of long-term care, including home care. This is just one possible model for addressing the home care affordability gap, especially for families who do not qualify for Medicaid but struggle to afford to pay out of pocket for home care. Washington State Department of Social and Health Services. [“Long-Term Services and Supports Trust Act.”](#)
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