

# Value the Care!

## Minimum wage and overtime for home care aides

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### Revised “companionship” rule will not make care too expensive...

On October 1, 2013, the U.S. Department of Labor (DOL) published its final rule narrowing the “companionship exemption” under the Fair Labor Standards Act (FLSA). As a result, beginning January 1, 2015, most home care workers will be guaranteed federal minimum wage and overtime protections for the first time. In addition, because they are newly covered under federal wage and hour laws, home care workers will now be eligible for compensation when driving between clients, and will be protected by federal law when challenging employers in wage and hour disputes.



**O**pponents of the revised companionship exemption contend that it will raise the cost of home care services, making this vital assistance unaffordable for elders and people with disabilities. The facts, however, show that these fears are unfounded.

➔ **Many states provided protections before the rule change...** In 21 states, home care workers already are guaranteed minimum wage; and in 15 of those states, some groups of home care workers have overtime protections. In these states, including some with the nation’s largest Medicaid-home care programs, extension of federal wage laws will have relatively little impact on employers’ responsibilities to their workers or the cost of care for their clients.

➔ **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.

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.

➔ **The cost of compliance will be minimal...** The Department of Labor estimates that the national cost of the change is likely to amount to less than one-tenth of one percent of the industry’s \$93 billion in annual revenues and, thus, will account for only a small percentage of total Medicaid spending on home care services.

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➔ **The revised rule will not lead to greater institutionalization...** There is absolutely no correlation between states with basic labor protections for home care aides and states with higher than average rates of institutionalization of seniors and people with disabilities.

➔ **The revised rule 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.

## The Revised Rule Will 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 that home care is *real* work and 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.

**For more information** on the revised companionship exemption, go to [www.companionshipexemption.com](http://www.companionshipexemption.com) and [www.dol.gov/whd/homecare/](http://www.dol.gov/whd/homecare/)

To learn more about the home care workforce, visit [www.PHInational.org/homecarefacts](http://www.PHInational.org/homecarefacts)

**Questions?** Contact PHI's Government Affairs staff at 202-888-1972.



PHI ([www.PHInational.org](http://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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