

November 13, 2024

# Addressing Direct Care Worker Shortages Through State Policy

## In a Nutshell

- Direct care workers – personal care aides, home health aides, and nursing assistants – are an important part of the health care industry and the overall caregiving framework.
- Poor wages, lacking benefits, little room for career growth, and challenging work has led to a shortage of direct care workers, which is particularly concerning as demand for direct care workers has increased and will continue to grow due to the rising number of older Americans.
- States have implemented policies to treat direct care workers as a distinct part of the health care profession, including increasing wages, improving benefits, and providing more training for direct care workers to improve recruitment and retention

Significant attention has been paid to shortages among various health care professions, including our recent efforts to highlight potential nursing and primary care shortages. Direct care workers – personal care aides, home health aides, and nursing assistants – are another component of the health care workforce where existing shortages are expected to get worse over the next decade.

Direct care workers are an essential component of health care and caregiving, providing day-to-day assistance with daily living for more than 20 million adults in the United States. These workers often have low pay, lack benefits, and are provided little opportunity for career development, leading to high turnover rates and poor job satisfaction. The state has a significant interest in better recruitment and retention of direct care workers in the coming years as demand for direct care increases and Michigan’s population continues to age. Treating direct care workers more like other health professionals – with higher wages, better benefits, and more training – would be a step toward stemming the coming shortages.

## Direct Care Work

Direct care workers are a class of workers consisting of personal care aides, home health aides, and nursing assistants who assist with daily tasks such as dressing, bathing, and eating, as well as meal preparation, housekeeping, errands, and appointments for older adults and people with disabilities. They can also perform some clinical duties, including wound care, reading vital signs, and movement exercises under proper supervision. Direct care workers are employed in private residences, community-based residential care settings, skilled nursing homes, and hospitals.

Direct care workers are an important part of the health care industry and the overall caregiving framework. A large and growing share of the population relies on assistance with activities of daily life, and many of these tasks are not easily automated or replaced by technology, meaning the need for this kind of assistance is only likely to increase in the coming years. People rely on direct care workers to live their lives, and the absence of these workers would diminish their quality of life and/or place larger burdens on family members.

## Direct Care Work is in Demand, But Recruitment and Retention is Not Keeping Pace

Nationally, nearly five million people work in direct care, with about 60 percent working in private homes and 40 percent working in other settings caring for 20 million adults. Michigan has around 165,000 direct care workers, comprising around four percent of the state's entire workforce. The demand for direct care workers has grown significantly in the last decade – adding around 1.6 million jobs nationally from 2014 to 2023 – and projections indicate that close to one million more direct care jobs will be added over the next ten years due to the growing number of older Americans. While Michigan's direct care workforce has grown over the last decade, state-level data indicates it has grown more slowly than the national average. Only about 20 percent of direct care workers have a post-secondary degree, and women make up a large percentage (80 to 85 percent) of the workforce. Taken together, direct care workers outnumber every other group of health professionals except for nurses.

While direct care work is vital to the well-being of the population and the economy, the growing demand and the challenging nature of the work have produced a shortage of workers that is only expected to get worse over time. The exact scope of the existing shortage is difficult to measure precisely, but the data shows many workers have left the profession over the last several years, and turnover rates are high, leaving many facilities strained and many people reliant on family caregivers. Coupled with the expected growth in demand, the number of new direct care workers that will be needed in the coming years is well above the size of the current workforce.

The reasons people are leaving the industry are relatively well understood. While wages have increased in recent years, direct care work still does not pay particularly well. Over the last decade, direct care workers nationally have seen inflation-adjusted wages increase by about 25 percent, but the median wage for the highest-paid class of direct care workers (nursing assistants) is still just \$18.16 per hour. Michigan direct care workers, as is the case with many other professions, make less than the national average even as the state has taken concrete action to raise wages over the last few years through increased Medicaid reimbursements. Similarly, the benefits that come with many direct care jobs are also lacking relative to other health care jobs. Lack of training and career development is also viewed as a source of worker discontent. The categories of direct care workers have various minimum training requirements under state and federal law, ranging from no training requirements to 75 hours, depending on the type of work and the setting. Finally, direct care work is demanding and challenging, leading to significant burnout. While direct care jobs are viewed as high-skill positions requiring extensive education and expertise, caregiving is physically and emotionally demanding.

## States Have Policy Options to Make Direct Care Work More Attractive

The combination of direct care's importance to the well-being of the population and the challenges of recruiting and retaining direct care workers present a significant problem for Michigan and other states. With the expected additional increase in demand for direct care work, the state cannot afford to wait to address this issue. Given that recruiting and retaining direct care workers are problems across the country, significant attention has been paid to developing potential policy solutions.

### Wages

Low wages are a key reason for the direct care worker shortage and states have pursued different strategies to increase direct compensation. One strategy – the one Michigan has employed in recent years – is to increase Medicaid reimbursement rates, as Medicaid pays for a significant amount of direct care work. The exact structure (e.g., fixed dollar increases, percentage of revenue increases) varies, but using the existing framework to push up wages in the industry is a common tactic. This approach essentially pushes federal and state money through the system as a direct benefit to direct care workers, while also influencing the private market indirectly through competition. Another approach, used by several states, is to set a wage floor for direct care workers, often tied to the minimum wage in some fashion. Some states have also required a share of profits be devoted to direct care worker wages. In addition to the straightforward outcome of increased wages for direct care workers in the

hopes of making the profession more appealing, research in New York found that increased wages for direct care workers save the state money because direct care workers became less reliant on Medicaid themselves.

Each approach has its own internal logic, but ultimately it is a question of resources. The state either directly expends money or it creates a requirement that private entities expend money. Research does not support one approach over the other in terms of which is more effective at retaining direct care workers, so it is largely a question of how much the state wants to invest in increased wages as a means of solidifying the workforce. As noted, Michigan has recently enacted increases to direct care worker wages through Medicaid reimbursements and can continue to use this approach going forward. The state's recent action has been in the form of one-off wage increases, however, with direct care workers in the state receiving a temporary raise during COVID-19 that was later made permanent, and then another, smaller raise in the most recent round of appropriations. Policymakers may want to consider whether it is worthwhile to establish some sort of automatic structure to the raises, either tying them to the minimum wage or other metric, to assure direct care workers about future earnings rather than relying on future legislatures to take action.

## **Benefits**

A variety of options exist to improve benefits. Nine states provide some type of free or subsidized health care for direct care workers above and beyond existing federal health care subsidies. This type of policy seems particularly valuable to direct care workers who often work less than full-time and may have two or more jobs with different employers. Establishing a state-sponsored plan or some type of subsidy that provides coverage to workers in the industry who meet certain requirements could have a significant impact. In addition to guaranteed health care coverage being a valuable resource that would likely attract people to the work, direct care is a field with a lot of movement from job to job, and consistency in coverage would likely have administrative benefits over workers who have to come on and off Medicaid and change providers every time they switch jobs. The exact design – a state plan or some kind of private plan that is subsidized – does not seem to be particularly determinative, but offering the benefit is likely to help.

Further, while a state's paid sick leave law applies to some direct care workers, states have enacted legislation to establish paid sick leave for direct care workers specifically. Ensuring that all direct care workers have access to paid sick leave and making the benefit more generous for direct care workers is a potential tool. A handful of states have also instituted childcare subsidies and overtime requirements.

## **Career Development and Training**

Improving training, certification, and career growth is also an avenue for better recruitment and retention. States have explored increasing training requirements generally, but also with an eye toward training workers to perform duties across the caregiving landscape in order to increase the number of opportunities they could have in the future. States are also working on apprenticeships, tuition assistance, and resources to help workers find job opportunities.

In addition to straightforward state programs, this area of solution lends itself to non-profit and academic partnerships to improve training pipelines, including those which already exist in Michigan.

## **Moving Toward Direct Care as a Profession**

While the core policy approaches of wages, benefits, and career development all can improve the situation on their own, taken together they offer a roadmap for the future. Direct care work is essential and needs to be viewed by policymakers, the health care industry, and its workers as a profession. This theme comes through a variety of analyses on the topic, including the state's own advisory committee.

Direct care work – in terms of wages, benefits, and career development – is effectively treated like any other service industry work (e.g., food service, retail, etc.). Yet its place in society is clearly within the health care industry. The policy and social framework for direct care workers needs to treat them as a distinct profession like nurses or doctors. While individual workers will all behave differently in response to this change, it is easy to see how moving towards a framework where direct care is a career rather than a job is part of the policy solution.

## Conclusion

The growing demand for direct care and the existing challenges of direct care work has the state and country headed for a significant shortage over the next decade. Low compensation, limited career advancement opportunities, and challenging work have generated significant turnover and low satisfaction among workers in the industry, leading to workers burning out and leaving the field.

Policy options exist to make the field more attractive, and states are highly incentivized to act. Improving wages, increasing benefits, and offering more training and professionalization are all avenues to better recruitment and retention for this industry. Ultimately, treating these workers as a distinct health care profession rather than as ordinary service workers who are adjacent to the health care space, is a necessary change.

### ABOUT THE AUTHOR

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Karley Abramson joined the Research Council in 2022 as a Research Associate focusing on health policy. Previously, Karley was a nonpartisan Research Analyst at the Michigan Legislative Service Bureau where she specialized in the policy areas of public health, human services, education, civil rights, and family law. Karley has worked as a research fellow for various state and national organizations, including the National Institutes of Health and the ACLU of Michigan. She is a three-time Wolverine with a bachelor's degree in sociology, a master's of public health, and a juris doctor from the University of Michigan.

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