



July 14, 2011

Chairman Tim Walberg
Workforce Protections Subcommittee
House Education and Workforce Committee

Direct Care Alliance Statement on “The Fair Labor Standards Act: Is It Meeting the Needs of the Twenty-First Century Workplace?” Hearing

The Direct Care Alliance would like to take this opportunity to express our strong support for the proposed changes to the FLSA under the Direct Care Job Quality Improvement Act (H.R. 2341) introduced in the 112th Congress by Rep. Linda Sanchez.

Home care workers deserve the same basic wage and overtime protections that are enjoyed by almost all other workers in the United States. They are not companions and should not be exempt from FLSA protections under the companionship exemption. Home care is skilled work that requires a variety of duties, including transferring, bathing, grooming, toileting, feeding, household chores, and medical tasks such as catheter and ostomy care, injections and tube feeding. FLSA was enacted to fight poverty, spread work and stimulate growth across our economy, however, given the irregular hours and low wages for workers in this industry – the median annual income is \$17,000, with 45 percent of direct care workers living at or below 200% of the federal poverty line and 46 percent direct care workers depend on some form of public benefits.

Access to quality home-and community based services depend on a stable workforce. Given that an estimated 27 million Americans will depend on our long-term care system by 2050, it is critical that we solve the direct care workforce crisis by improving working conditions for direct care workers. Minimum wage and overtime protections are essential to ensuring that there is an adequate home care workforce to provide for the millions of Americans who want to receive care at home. Not extending basic labor protections to these workers undermines federal policy initiatives that encourage the expansion of home-and community-based services.

We cannot build a system for home-and community-based services by taking for granted the lynchpin of this system: the workers. Currently turnover rates are too high and too many high-quality home care workers can't afford to remain in their jobs. Poor wages are one of the key factors causing high turnover rates (estimates range from 50% to 80% annually) in the direct care workforce.

As one of the fastest growing sectors in the nation, the home care industry presents an opportunity to help rebuild our economy. Home care jobs are non-exportable and have become a major source of national employment. Unfortunately, these important jobs are often unfilled because of near-poverty wages and poor working conditions. The companionship exemption impedes the normal functioning of markets and undermines the development of a stable, qualified workforce of home care workers. The same work performed by an aide in a nursing home is covered by minimum wage and hour protection and with more than 82% of paid, long-

term care services financed by federal programs, government is effectively devaluing this essential industry, while paying more in Medicare and Medicaid benefits for institutional care.

Benefits to Consumers

Building a stable, valued direct care workforce will provide drastic improvements to the quality and continuity of care and services for consumers. In the current environment, high turnover results in poor quality of care for seniors and people living with disabilities. This is due to service interruptions that lead to unnecessary hospitalizations and placements in nursing homes that could have otherwise been avoided. The current rule victimizes seniors and people with disabilities who depend on in-home caregivers, who are faced with chronic labor shortages and too often inadequate care because of the frequent turnover of qualified workers. Families that pay \$7.25/hr and above and time and a half for overtime would not be affected by narrowing the companionship exemption.

Benefits to Employers

Poor wages are one of the key factors causing high turnover rates (estimates range from 50% to 80% annually) in the direct care workforce. Recruiting and training new workers is very costly making turnover a significant problem for employers in this industry. A study released this year by the Iowa Department of HHS's Direct Care Workforce Initiative found it is estimated that turnover of one direct care professional in Iowa creates \$3,749 in direct expense for the employer. Using this Iowa cost per individual of \$3,749, the direct cost of turnover in the direct care workforce for 2010 is estimated at \$117,000,000, rising to \$126,000,000 in 2011¹. Although some employers are resistant to granting labor protections, the reality is, home care workers that are better paid are more likely to stay on the job longer, thereby addressing one of the most serious problems that home care employers face: retention. Employers that pay workers above minimum wage and pay for the overtime worked will not be affected. In states where home care workers do receive overtime protections, employers who cannot afford to pay overtime have managed this by regulating hours to prevent overtime pay. Regulating hours can create more regular schedules for workers and reduce turnover.

As the House Education and Workforce Committee reviews how the FLSA is currently affecting the national workforce, the Direct Care Alliance urges you to give proper attention and consideration to the Direct Care Job Quality Improvement Act (H.R. 2341). This bill will allow the FLSA to work as it was intended for millions of currently excluded home care workers, bring much needed stability to America's overextended home care industry, provide seniors and persons living with disabilities the care they deserve, and create millions of new jobs in the coming years.

¹ Iowa Direct Care Workforce Initiative. *Cost of Turnover in the Direct Care Workforce*. Posted June 28, 2011. <http://www.idph.state.ia.us/directcare/>