

■ EXECUTIVE SUMMARY

Building the Caring Economy

Workforce Investments to Expand Access to
Affordable, High-Quality Early and Long-Term Care

NINA DASTUR, INDIVAR DUTTA-GUPTA,
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SPRING 2017

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Executive Summary

Across the country, Americans are struggling to secure jobs that offer the prospect of long-term financial security and the promise of a real future for themselves and their families. Recognizing the problem, President Trump promised in his campaign and continues to promise to bring back good-paying jobs, and the issue likely was an important factor in his victory. Of course, recognizing the problem is quite different from addressing it constructively.

For many families, the struggle to get by is compounded by the demands and expense of providing care for young children, older family members, and/or family members with disabilities. Caregiving—with its attendant love and joy and often sacrifice—enhances our lives, but too often families in the United States find themselves on their own as they seek to meet these caregiving needs while balancing work and other obligations.

This report proposes caregiving jobs investments to address two national needs: the pressing need for caregiving; and the equally pressing need for good jobs. With these aims, we offer proposals that promote the well-being of children, older adults, people with disabilities, and their families by creating and sustaining good jobs in the caregiving sector.

We begin by reviewing the current state of caregiving, examining the needs, benefits and costs associated with the responsibilities of providing care. We focus primarily on the need for (1) early care and education for young children and (2) long-term services and supports for older adults, including older adults with disabilities. Issues specific to caregiving for children with disabilities and non-elderly adults with disabilities warrant full attention, but are beyond the scope of our review.

This report sets out the opportunities to expand the quantity and improve the quality of caregiving employment to create good jobs that meet families' caregiving needs. In particular, it highlights common challenges facing families as they provide necessary care, and the ways in which current policies fail to provide access to formal, high-quality care. It concludes with a set

of recommendations for increased public investment designed to expand access to quality care by financing good jobs in the caregiving sector, including for disadvantaged workers.

Current discussions about federally supported job creation based on national needs focus almost exclusively on infrastructure in the form of highways, bridges, and other physical structures. This attention is important, but too narrow in scope. Investment in national infrastructure needs should include education, housing, green energy, and caregiving. All address unmet national needs and put Americans to work. This is particularly the case for caregiving, for three key reasons:

1. Investment in social care provision such as early childhood development and home health care can generate twice as many jobs per dollar as infrastructure construction due to the high labor intensity of the care sector, among other factors.¹
2. Investments in the caregiving sector are uniquely effective at increasing employment because they both directly create jobs and enable family members with caregiving responsibilities to seek and maintain employment.
3. An infrastructure investment that includes high-quality caregiving jobs would more comprehensively strengthen families and communities. An infrastructure plan encompassing the caregiving jobs recommendations outlined in this report will provide jobs that reach people outside the construction and related sectors. Currently, caregiving jobs are disproportionately filled by women² while construction jobs are disproportionately filled by men.³ That said, the very investments recommended by this report would increase the gender diversity of the caregiving workforce.

Well-designed physical infrastructure investments are long overdue, but the Trump Administration's physical infrastructure proposals are not well designed. They provide additional tax handouts to investors in projects that likely would have existed without the subsidies, wasting taxpayers' resources while limiting the job creation potential.⁴

Well-designed investments in caregiving are also desperately needed. They should be evaluated based on the extent to which they expand access to care for those who have the greatest need, improve care quality, and create new good jobs. President Trump's care proposals fall short on all counts. His proposals center on expanding tax subsidies for child and elderly dependent care expenses that would offer very little help to working families who are paid the least.⁵ Further exacerbating this inequality, his plans to cut non-defense discretionary spending by \$54 billion on top of already scheduled cuts will reduce essential funding for existing child care assistance programs that help low- and moderate-income families.⁶ In addition, these proposals would do little if anything to improve the quality of care. And the White House proposals appear to offer no direct strategy for strengthening the caregiving workforce.

On top of these ill-advised infrastructure and care proposals, the White House and House Republicans have embraced health care proposals that would exact dangerous cuts in Medicaid, a major source of funding for long-term services and supports (LTSS). The House Republican bill to repeal and replace the Affordable Care Act, passed in April 2017, would severely reduce and cap federal funding to states for Medicaid, and the President's recently released budget would cut Medicaid spending by 17%.⁷

The recommendations in this report offer policymakers a far better way forward. Our proposal would develop and finance an infrastructure that promotes access to high-quality care while reducing families' caregiving costs. Our proposal invests in and expands the caregiving sector to meet our nation's needs through the creation of new good jobs. This report includes estimated costs and fiscal and economic impacts for the early childhood education (ECE) recommendations; given the complex actuarial analysis involved in long-term care and the diversity in state Medicaid programs, it was beyond the scope of this project to develop estimated impacts for the LTSS recommendations. Based on a model developed in partnership with the global financial services firm Stout, we estimate that the total cost of the major ECE recommendations would be approximately \$76 billion annually; these investments would directly create 1.3 million jobs just by serving low income children and improve the quality of around 700,000 existing jobs in the ECE sector. We demonstrate that the costs would likely be significantly offset by the fiscal impact of the investment, estimating that these major ECE investments could generate at least \$78 billion in short-term recurring economic activity.

Key Findings

THE STATE OF THE CURRENT LABOR MARKET DEMONSTRATES THE ONGOING NEED FOR AMBITIOUS JOB CREATION STRATEGIES.

While the U.S. economy has officially recovered from its recent depths during the Great Recession, almost 3 in 4 Americans still rate the economy as only fair or poor, with two-thirds (66 percent) saying that there are not enough good jobs available and almost half feeling that their incomes are falling behind the cost of living.⁸

Finding a job is still a challenge for both younger and prime age workers, especially those with limited education, for women, and workers of color. These populations fill many jobs in the early care and education and long-term care fields. Creating more of these jobs could provide significant opportunities to employ these workers.

HIGH-QUALITY CAREGIVING ACROSS THE LIFE SPAN BENEFITS YOUNG CHILDREN, PEOPLE WITH DISABILITIES AND OLDER ADULTS, AS WELL AS THEIR FAMILIES AND OUR ECONOMY.

Safe and reliable child care is essential to supporting the employment and economic self-sufficiency of parents of young children. More than half of all parents of young children identify child care as an economic necessity, with three-quarters of parents designating it as the most or one of the most important ways to help working families.⁹ At the same time, young children's exposure to high-quality care both improves their school readiness and performance, and lays the groundwork for long-term economic, social and health benefits, especially for children from low-income families. Participants in model early care and education programs have demonstrated positive and persistent outcomes on a range of measures—from high school completion to improved employment and earnings, as well as lower incidences of criminality and diet-related disease—generating high economic returns on the initial programmatic investments.¹⁰

For aging adults and people with disabilities, LTSS provide critical assistance with personal health and social needs that helps them maintain their daily lives and prevents deterioration that might lead to the need for more intensive—and expensive—care. Estimates suggest that over 12 million Americans currently need long-term assistance with daily living.¹¹ Approximately half of those currently in need are ages 65 years or older, while another 47 percent are adults between the ages of 18 to 64, and 3 percent are children under the age of 18.¹²

As the U.S. population ages, the need for long-term supports and services and the challenges of providing them both formally and informally are expected to grow significantly. By 2030, more than one-fourth of all adults will be 65 or older, with this group growing to include more than 83.7 million older adults by 2050.¹³ According to estimates, approximately 70 percent of those ages 65 and older will use long-term services and supports, with those 85 and older more than four times more likely than those ages 65-84 to need long-term care.¹⁴ For these individuals, high-quality long-term support for essential “activities of daily living” will help them continue to live at home, preserving their independence and avoiding expensive institutionalization.

DESPITE ITS RECOGNIZED BENEFITS, THE EXPENSE OF HIGH-QUALITY FORMAL CARE CURRENTLY PUTS IT OUT OF REACH OF TOO MANY FAMILIES.

With limited earnings and minimal additional financial resources, too few families can afford high-quality care for their loved ones. Today, all adults in nearly 60 percent of American families with children under the age of 6 (including both single parent and married couple households) are employed.¹⁵ While the cost of care varies across settings and based on a child’s age, most families cannot afford the kinds of stable, high-quality care that both supports parental employment and benefits their children academically and socially.

The U.S. Department of Health and Human Services considers care to be affordable when parent fees amount to no more than 7 percent of a family’s income.¹⁶ However, statistics show the cost of high-quality formal care far outpaces that standard. The median annual cost of care for one child across early care settings approaches or exceeds more than twice that threshold for families with incomes at 200 percent of the federal poverty level, and rises to approximately 40 percent for families with income at 100 percent of federal poverty level. As a result, of the 12.5 million children ages 0-5 in a regular care arrangement each week, fewer than one-fourth are in center-based care, either a day care center (13.4 percent), nursery or preschool (6 percent) or Head Start or school arrangement like kindergarten (5.6 percent).¹⁷ Another 7.8 percent of young children receive care in a provider’s home, including 4.6 percent in family day care.¹⁸ Not surprisingly given the cost burdens, two-thirds of all low-income children receive care in early care and education settings that do not meet the quality standards shown to produce developmental gains.¹⁹

As costly as early care and education is for families, its expense pales in comparison with the cost of long-term services and supports: in 2015, the national median annual cost for 44 hours of weekly care by a home health aide was just under \$45,800, significantly exceeding the median annual income of older adults.²⁰ Yet more than half of adults over 40 (54 percent) have done little or no planning toward their own long-term care needs²¹ and nearly three-fourths of middle-income Baby Boomers have no plan for their retirement care.²² One in four caregivers reports finding it “very difficult” in their community to get affordable services to help provide care, with 56 percent of friend and family caregivers identifying affordable formal care as either moderately or very difficult to secure.²³ Accordingly, among older adults living in the community who need long-term assistance, only 3 in 10 supplement the informal care they receive with paid help.²⁴

AS A RESULT, MOST CARE IS PROVIDED BY UNPAID CAREGIVERS, TYPICALLY FAMILY MEMBERS OR FRIENDS, WITH SIGNIFICANT IMPACTS ON CAREGIVERS’ WELL-BEING.

Both families with young children and those needing LTSS for family members start out searching for the highest-quality, affordable care, but typically end up in the same place: with

care largely provided informally by family members or friends. Around 4 in 10 children (42 percent) under the age of 5 are cared for by a relative, including more than three-fourths of those with working mothers; their caregivers are predominantly grandparents.²⁵ Reliance on informal support is even higher among those who need long-term services. Sixty-eight percent of adults who receive LTSS in the community receive support solely from an unpaid friend or family member.²⁶ While estimates of adult caregivers and the hours they spend on care vary widely, a meta-analysis suggests that in 2013, an estimated 39.8 million Americans had provided care to an adult within the last 12 months, with the prevalence of family caregiving crossing age, gender, racial and socioeconomic lines.²⁷

Estimates suggest that the value of wages that parents forego to care for their young children is about **\$96 BILLION ANNUALLY.**

For these caregivers, their responsibilities affect their ability to work, their finances, and even their physical health. Many parents confronting the challenge of finding affordable quality care—particularly mothers—find that the answer is to curtail or give up working entirely. Estimates suggest that the value of wages that parents forego to care for their young children is about \$96 billion annually.²⁸

Similarly, 6 in 10 family caregivers providing long-term support reported that their caregiving responsibilities had negatively impacted their employment.²⁹ On average, family members over the age of 50 who leave the workforce or cut back on their hours to engage in caregiving lose an estimated \$303,880 in income and benefits over their lifetime.³⁰ These wage losses are accompanied by more direct costs: almost 1 in 3 workers (29 percent) reports providing financial support to a relative or friend related to their care needs.³¹ As a result, providing LTSS is often highly stressful³² and overwhelming to some caregivers,³³ and can take a toll on their own health.³⁴

The average working parent in America misses five to nine days of work each year attributable to child care problems alone, at a productivity cost to U.S. businesses of **\$3 BILLION ANNUALLY.**

THE CUMULATIVE COSTS OF INFORMAL CAREGIVING ALSO EXACT COSTS ON EMPLOYERS AND THE BROADER ECONOMY.

The financial impact of informal caregiving extends beyond families to the broader economy. The average working parent in America misses five to nine days of work each year attributable to child care problems alone, at a productivity cost to U.S. businesses of \$3 billion annually.³⁵ More broadly, the cost to U.S. employers attributable to full-time employees who had family caregiving responsibilities has been estimated at \$17.1 to \$33.6 billion (2006 dollars) in lost productivity, due primarily to absenteeism (\$5.1 billion), shifts from full-time to part-time work (\$4.8 billion), replacing employees (\$6.6 billion), and workday interruptions (\$6.3 billion).³⁶

Employed caregivers are also more likely to report missed days of work due to their own poor health, on top of their caregiving duties. Additionally, U.S. employers spend an estimated \$13.4 billion on healthcare for employees associated with their caregiving of older relatives.³⁷

DESPITE THE LIKELY SOCIETAL BENEFITS THAT WOULD RESULT FROM IMPROVING ACCESS TO HIGH-QUALITY CARE, CURRENT PUBLIC FINANCING FOR FORMAL PAID CAREGIVING IS INADEQUATE TO MEET FAMILIES' CAREGIVING NEEDS AND IS NOT STRUCTURED TO PROMOTE HIGH-QUALITY CARE.

Recognizing the cost burdens associated with formal care and the benefits of early care investments, some states and localities are increasing spending on early care and education, largely through expansion of pre-kindergarten. Most recently, for example, voters have approved

referenda adopting progressive taxation to support caregiving initiatives. However, the nation’s need cannot be met without significant federal investments. The federal programs that provide vital assistance for early care and education and long-term services currently serve only a fraction of the families who are eligible, and leave families with somewhat higher but modest income levels without any public support.

At best, the public funding streams that finance caregiving provide a patchwork of support that varies considerably from state to state, both in the availability of assistance and the extent of its value to families in meeting the costs of care. This lack of uniformity renders it difficult for families to understand and evaluate their caregiving options, and to arrange for high-quality care.

The bulk of public funding for child care assistance is provided through the federal Child Care Development Fund (CCDF) authorized under the Child Care and Development Block Grant,³⁸ and its related programs.³⁹ However, only 23 percent of all federally eligible children up to age 5 (1,200,830 young children) received that subsidized care in fiscal year 2012, including less than half of eligible children up to age 4 who were living in poverty.⁴⁰ Fifteen percent of all children under 18 eligible for child care subsidies under federal rules received subsidies through the Child Care and Development Fund or related government funding streams in an average month. Even for those lucky enough to receive assistance, the limited value of early care subsidies constrains parents’ care options.

Similarly, our nation’s approach to financing LTSS for those who cannot afford necessary care falls substantially short of meeting the needs of families, and even the limited assistance offered is in serious jeopardy in Congress. Medicaid is a crucial funder of LTSS, supporting approximately two-thirds of the cost of formal services.⁴¹ Under Medicaid, states are required to pay for nursing home and other institutional care for people of all ages who meet income and asset qualifications for coverage, but home and community-based services⁴² are largely considered to be optional. The federal government has used a variety of incentives to encourage states to provide these services to Medicaid recipients and to “balance” their spending across settings. In 2012, expenditures under the three main Medicaid home and community-based programs—Section 1915(c) waivers, home health state plan services, and personal care state services—provided LTSS to more than 3.2 million people.⁴³

While Medicaid functions as a safety net for those with long-term care needs, the support it provides for home and community-based services varies significantly from state to state, partly because it is financed through federal cost matching of state spending. Even the best-financed states fail to meet all low-income older adults’ needs. Waiting lists maintained under states’ home and community-based programs established pursuant to Section 1915(c) waiver authority (which makes up the majority of spending for these services) provide one indication of the need for affordable LTSS among just the lowest income Americans; more than half a million individuals were on Section 1915(c) waiting lists across 39 states in 2014, and the national average duration of their waiting period for assistance was 29 months.⁴⁴

CONGRESS IS ADVANCING A HEALTH CARE PROPOSAL THAT WOULD SEVERELY REDUCE FEDERAL FUNDING TO STATES FOR MEDICAID

A House Republican bill to repeal and replace the Affordable Care Act, passed in April 2017, would severely reduce and cap federal funding to states for Medicaid.⁴⁵ While that measure will be modified in the Senate, conservative Republicans remain focused on cutting Medicaid spending. Such efforts would significantly debilitate state efforts to address families’ needs for

long-term care and reverse decades of progress in promoting access to home and community-based long-term services and supports, at a time when demographic changes are driving growing demand. Retrenchment in federal commitments to Medicaid would not only increase the financial, physical, and emotional costs to family caregivers, but also likely would lead to expanded use of institutionalized care, which is more costly and highly undesirable to many seniors and people with disabilities.

INSUFFICIENT PRIVATE AND PUBLIC RESOURCES AFFECT THE PAID CAREGIVING WORKFORCE, WHICH RECEIVES LOW COMPENSATION THAT HURTS CARE QUALITY.

Most families are limited in their ability to pay for formal early or long-term care, and this necessarily restricts wages for formal caregivers, especially those in exclusively privately-paid services. Even when care is subsidized, however, the under-financing of public programs has pitted funding of provider salaries and benefits against the number of individuals receiving support. What has resulted are generally low—even poverty level—wages across both the early and long-term care segments of the caregiving sector that drive staff turnover and hamper recruitment of high-quality staff.

Within the early care and education sector, wage variations are tied to educational level, but are much lower than earnings of comparably-educated workers. For example, among those with Bachelor's degrees, the highest paid pre-K teachers working in public school-sponsored programs earn only 85 percent of comparably-educated kindergarten teachers. Early care and education workers in other settings with Bachelor's degrees are paid only 56 to 62 percent of the median earnings of kindergarten teachers.^{46, 47}

Wages for the rest of the early care workforce are also low—in 2012, the overall median of center-based wages was \$10.60 an hour. In every state, the median annual earnings for a child care worker falls below 150 percent of the poverty level for a family of three, and in 32 states, the median annual earnings are below poverty for a family of three.⁴⁸ As with Bachelor's level teachers, wages for early care staff vary among settings, and even within settings based on the age of the children served. These wage variations, largely driven by the fragmentation of funding and administration of care and education programs for very young children, undermine the stability of the labor force.

Like their early education counterparts, direct care workers that provide home and community-based long-term care are paid low wages, compounded by limited benefits and unstable work schedules. The median hourly wage was \$10.09 for personal care aides and \$10.54 for home health aides in 2015, well below the national median wage of \$17.40, with median annual wages at \$20,980 and \$21,920 respectively.^{49, 50} In all states for both categories of workers, wages fall below 200 percent of the federal poverty level.⁵¹

Not surprisingly, then, the low job quality leads to high turnover in the caregiving fields, affecting the quality of care for the families who rely on it. Historically, annual turnover rates within the early care and education sector have been around 30 percent, with compensation a key driver of staff exits.⁵² Even those who want to remain in the ECE field may move to relatively higher paying positions in public school-sponsored programs as a result of this wage stratification, especially after they have obtained advanced education or credentials. This dynamic, and the high turnover rates it fosters within centers make it difficult for programs to initiate, employ and maintain improvements, and are associated with low program quality and negative outcomes for children.⁵³

Turnover rates are even higher among direct care workers; over 60 percent of caregivers working for private duty home care companies quit or were fired from their jobs last year.⁵⁴ This high turnover, largely driven by job dissatisfaction, can disrupt the continuity of care for older adults⁵⁵ and affect clients' health. A study of participants in California's In-Home Supportive Services program showed that having a new home care worker during the year increased participants' odds of having a new injury, developing bed sores/contractures, and possible hospital admission compared to those who had the same home care worker through the year.⁵⁶

INADEQUATE PUBLIC INVESTMENT IN MEETING FAMILIES' CAREGIVING NEEDS MISSES AN OPPORTUNITY TO SUPPORT THE CREATION OF GOOD JOBS.

The needs for caregiving for children, people with disabilities, and older adults present opportunities to put Americans who are currently unemployed or out of the labor force to work. This is only possible if current caregiving needs are converted into market demand for formal caregiving through enhanced public investments, and if jobs are structured to promote recruitment and retention of care workers.

While the unemployment rate has fallen back to pre-recession levels, younger workers and those with limited educational attainment continue to struggle to find employment, and more than 1.7 million workers have dropped out of the labor force altogether.⁵⁷ For many, additional personal challenges such as disability, limited English proficiency, and having a criminal record create barriers to reemployment. For example, more than a third of those who are not working (34 percent) report having a disability that prevents them from working, but half of them say they currently want a job.⁵⁸ Of surveyed adults between the ages of 25-54 who were not working, including both those who were unemployed and those who were out of the labor force, 34 percent of all prime working age men and 12 percent of women reported having a criminal record.⁵⁹

Entry-level care positions could provide much-needed access to jobs for those with limited educational attainment and other barriers to employment, but low wages and minimal investments in training and education undermine the ability to attract and retain workers to the caregiving field.

Policy Recommendations

Increased public investment is critical to meet the early care and education needs of young children and the long-term caregiving needs of older adults and people with disabilities. Structured properly, these investments can ensure that care is provided through good jobs that support a high-quality workforce and provide employment opportunities for those who are currently left out of the economy. This report provides a framework for investments that can be adopted at the state and local level to expand access to formal care and improve the quality of caregiving jobs as a stimulus to local economies. However, getting to scale to meet the needs of families across the country will require the federal government to play a central role in shaping and funding investments that will significantly support the economy. The framework consequently includes a set of recommendations that are designed to support the provision of care by family members, leverage the federal government's role in financing caregiving to improve the quality of existing jobs in both early care and education and long-term support, and expand access to high-quality care by supporting employment in both segments of the caregiving sector.

1. SUPPORT PAID LEAVE TO ALLEVIATE THE IMPACT OF CAREGIVING ON FAMILIES

When possible and appropriate, enabling families to directly undertake their caregiving responsibilities is a critical step to reducing the financial and health impacts of caregiving, even if it may not drive job creation in the formal caregiving sector. Under the Family and Medical Leave Act of 1993⁶⁰ (FMLA), employers are required to provide employees who have worked at least 1,250 hours for them in the previous year with at least 12 weeks of unpaid, job-guaranteed leave for childbirth, adoption, foster care placement, a serious personal medical condition, or care of a child or spouse with a serious medical condition. However, too many Americans simply cannot afford to take time off without pay, regardless of the circumstances, and paid leave to cover care-related events specifically is scarcely provided as an employee benefit. Adopting a federal policy that would establish nearly universal access to paid family and medical leave would help families cope with short-term caregiving episodes, as well as reduce the immediate financial hardship for both new parents and family members of older adults and people with disabilities in need of long-term support, and would reduce the public cost of providing formal paid care for both short- and long-term needs.

2. FUND A WAGE PASS-THROUGH TO FEDERALLY FUNDED CAREGIVERS TO RAISE INCOMES, PROMOTE EQUITY AND IMPROVE WORKER RETENTION WITHOUT REDUCING THE AVAILABILITY OF FORMAL CARE

Increasing wages for early care and education and home care workers who provide services under federally funded programs is a necessary first step to stabilize and improve formal care arrangements. The federal government currently plays a critically important role in financing the provision of formal care, and could leverage its position to improve the quality of existing caregiving jobs by increasing payments to states that are specifically designated for and designed to raise wages for workers providing services pursuant to these programs, a vehicle known as a “wage pass-through.” Establishing and funding these federal wage floors for care workers based on their training and educational attainment would address the lack of sufficient pay and inadequate benefits that are uniformly identified as the major obstacles to joining the field and the biggest challenges for those who want to continue, without redirecting existing resources that might result in reduced services.

Particularly in the early care and education field, a wage pass-through that is structured to normalize pay across settings and across age groups within settings would help eliminate instability within the system driven by current pay inequities. We calculated the estimated investment needed for a federally funded wage pass-through for center-based staff in two ways, yielding cost estimates of \$12.2 to \$13.8 billion. The cost of a wage pass-through for family child care providers would be around \$196 million. According to our analysis projecting the impact of raising wages for federally funded early care and education providers on federal tax revenue, the use of public benefit programs, and local economic activity, these wage investments could conservatively generate a fiscal impact from \$8 billion to more than \$16 billion, representing more than half to almost 140 percent of the expected cost of the program.

3. INCREASE PUBLIC INVESTMENTS IN EARLY CARE AND EDUCATION AND LONG-TERM CARE TO INCREASE THE USE OF FORMAL CAREGIVING

a) Subsidize Formal ECE to Create New Jobs in the Sector and Expand Families' Access to High-Quality Care

Parents of young children who receive Child Care and Development Fund (CCDF) subsidies overwhelmingly elect to use their vouchers to secure center-based care, and research on parental perceptions and search for care suggests that parents highly value center-based care but find its cost prohibitively expensive without subsidies. That said, these preferences are necessarily based on the actual availability and quality of family child care and center-based care, and high quality family-based child care should remain an option for families, as some families will continue to prefer it.

Devoting new federal funding to cover the labor costs associated with staffing new early care and education classrooms with high-quality staff, with states and/or localities providing funding to cover ancillary related costs, would increase access to the kinds of care that parents prefer. This is the care that can also be best expected to promote children's intellectual, social and emotional development, but is currently out of reach for many families. Building out the early care and education infrastructure through centers could be complemented by the use of services in other settings, such as home-based care, supported by CCDF and related funding. In particular, vouchers could be used to target families in need of care during nontraditional hours or in remote areas through home-based care or other arrangements. Family child care providers who meet the same high quality standards as center-based programs could be included in the infrastructure expansion.

While high-quality care is defined by a complex mix of factors, research shows that two of the most significant drivers of quality are staff qualifications and compensation. The proposal seeks to support those elements, recommending that each class be staffed by one teacher aide (high school degree or less), one teacher's assistant (some college or Associate's degree) and a half-time lead teacher with a Bachelor's degree, who would be shared with another class. Provider-child ratios and maximum class sizes would follow the recommendations of the American Academy of Pediatrics, the American Public Health Association, and the National Resource Center for Health and Safety in Child Care and Early Education.⁶¹ Subsidized classes would operate full-time, full-year to accommodate the needs of working parents and to maximize the benefits to young children. Parents would pay no more than 7 percent of their income toward the costs of care.

This staffing structure would also maximize the number of good jobs created, within a framework that is stable, cost efficient, and able to be integrated as desired into states' existing early care and education and quality rating systems. Staffing requirements would ensure that a share of the new jobs that result reasonably match the skill level of unemployed workers, and help ensure that adults from the communities of the children to be served have access to the jobs to be created. At the same time, because federal funding would be provided to support job expansion across a range of educational requirements, it would naturally help to create pathways for career advancement for entry-level staff.

As a starting point, we examined the cost and fiscal impact of providing early care and education under this structure to all children ages 0-5 in families with incomes at or below 200 percent of the federal poverty level who are not currently in a regular care arrangement. At full enrollment of this cohort, the program cost would be approximately \$62 billion per year and would directly create approximately 1.3 million permanent jobs. We estimate that this program could generate around \$70.9 billion in short-term impact on federal tax revenues, reduction in the use of public benefit programs, and increased local economic activity.

b) Establish a Universal Catastrophic Long-Term Care Insurance Program as a Component of or Companion to Medicare

As the U.S. adult population ages, there has been growing acknowledgment that the unpredictability of and nationwide need for long-term services and supports call for a risk-based solution that is financed through a combination of public and private funds. To create a system that is affordable and sustainable, recent recommendations to improve the financing of long-term care have called for the adoption of a universal catastrophic insurance program.⁶² This solution would ease the burden on those who need catastrophic care and help provide clarity to families about the levels of public support that will and will not be available; it could also help alleviate states' Medicaid costs, while maintaining the program's essential role as a safety net for those who will not be able to afford to supplement the coverage provided by the universal system with either private long-term care insurance or personal assets. A federalized long-term care insurance program would also provide much-needed uniformity regarding services and payment levels in contrast to the current patchwork of support across the country under existing financing schemes.

c) Finance an Enhanced Federal Matching Rate for Medicaid Home and Community-Based Services to Expand Access to Long-Term Care More Immediately

While ultimately the adoption of a universal long-term care program would best meet families' needs, its establishment likely faces an extended path. In the interim—and to address its limitations for low-income families—the federal government should build on existing efforts that have encouraged states to expand access to LTSS and rebalance service delivery between institutional and home and community-based care. For example, providing an enhanced Medicaid matching rate to serve individuals deemed qualified to receive services under states' programs—over and above their present caseload levels, provided that they maintain waiting lists of those eligible—could encourage more states to maintain waiting lists and provide better information needed to estimate the levels of care needed.

4. EXPAND SELF-DIRECTION TO ADDRESS WORKFORCE SHORTAGES

Promoting self-direction, also called consumer direction, can be another important way to advance home care worker recruitment. In self-directed programs, participants can select and hire their home care worker(s) without the involvement of an agency. Studies have shown that home care consumers in self-directed programs were more likely to receive paid care than those assigned to agencies, because with worker shortages in many states, they could hire family members and friends to provide needed services.⁶³ Consumer direction can also lead to better pay for workers because the overhead costs are often lower, meaning that a larger share of the funding is available to go towards wages. The federal government should build on recent progress in expanding access to self-direction options by enhancing federal matching rates to incentivize self-direction more broadly.

5. ATTACH LIMITS ON ALLOWABLE COSTS INCLUDING EXECUTIVE COMPENSATION TO MEDICAID FUNDED HOME AND COMMUNITY-BASED SERVICES

For some, the provision of home and community-based long term care has become an outsized business opportunity; home care is an \$88 billion industry⁶⁴ dominated by for-profit companies. In the private care industry at large, owners report gross profit margins of 38.3 to 40.5 percent.⁶⁵ Yet few of these financial benefits are passed along to the direct care workers who generate them in the form of sustainable wages and benefits. While analysis of provider payments and expenditures is needed to assess profiteering in the industry, public data suggest that cost controls on business spending could make funding available to better compensate home care workers. Following the lead of states, the federal government should limit executive compensation and explore limits on other expenses that would promote economic equality and help ensure that federal support is appropriately directed to fund high-quality services and the workers who provide them.

6. PROMOTE RECRUITMENT, RETENTION AND ECONOMIC MOBILITY OF THE CAREGIVING WORKFORCE WITH INVESTMENTS IN WORKFORCE DEVELOPMENT

While raising wages and improving benefits in federally funded caregiving jobs will make the sector a more attractive option for both existing and new workers, additional public initiatives and investments can also address other impediments to recruitment and retention. Across both early care and education and long-term care, enhanced opportunities for training and education can improve the quality of care jobs, the quality of care that is provided, and the possibilities for career advancement for formal caregivers. These include:

a) Standardizing and Financing Pre-service Training Infrastructure

Standardizing and financing a strong pre-service training infrastructure to support new care workers is necessary to improve the quality of care, remove barriers to employment, and reduce turnover.

Early Care and Education: Early care and education employment for people with limited skills can offer advancement opportunities into assistant and lead teacher positions. Increased public investment will expand the availability of good new jobs all along this career pathway. As workers advance, their progress will create new openings for positions that require no more than a high school education. To support these workers new to the field, investments will be needed in training, coaching, and mentoring. Intensive pre-service (before a job placement) training could reflect research from professional development programs in the K-12 sphere that suggests that intensive programs targeted to future teachers' instructional practice and curriculum are most likely to improve student outcomes.⁶⁶ Models specific to early care and education, such as the Department of Defense orientation process and the Initial Pre-service Training for Entry-Level Child Care Providers created by Child Care Aware of America, also provide a potential framework for the provision of education and training for new ECE workers.

Long Term Care: Too few home care employers invest in quality training for their workers, and the minimal training requirements currently applicable to federally funded programs do not require them to do more. Currently, there is no minimum federal training requirement for personal care attendants in Medicaid-funded programs, and minimum training requirements vary widely between states and between programs within states.⁶⁷ Within the long-term care arena, job preparation and quality would be enhanced by:

- Establishing more extensive training standards for Medicaid-financed services, especially those provided by personal care attendants, and provide funding to achieve them, to help ensure that workers are prepared to deliver high-quality services to patients.
- Including pre-service training as a reimbursable Medicaid expense—as it is for Certified Nursing Assistants in institutionalized care—either as part of administrative spending or as part of payment provider rates, would help support meeting new training mandates. Alternatively, Medicaid reimbursement, particularly if made at an enhanced federal match, could be used in the absence of a training mandate to incentivize states to increase their training requirements.
- Expanding support for Long-Term Care Registered Apprenticeship Programs for Home Health Aides, a competency-based apprenticeship that begins with entry-level training followed by a supervised practical module that exceed the federal requirements. Participants receive Certificates of Training or Interim Credential and incremental wage increases as they complete different levels of specialization. Successful implementation of the apprenticeship model in Washington State through the SEIU Healthcare NW Training Partnership supports the allocation of funding to replicate the program more broadly.

Securing an adequate caregiving workforce is critical to addressing the nation’s long-term service needs in the coming decades. However, even with strategies designed to improve the quality of jobs and increase retention, the challenge of expanding the caregiving workforce will be compounded by demographic trends. First, the proportion of the United States population that is made up of older adults is expected to grow dramatically in the coming decades. Second, the population of women ages 25-54, the current typical caregiver demographic, will increase by only 1 percent by 2030.⁶⁸ Additional steps to expand access to those facing barriers to employment, for example those with limited English skills or criminal backgrounds, will help broaden the supply of available workers, and create good job opportunities for those otherwise disadvantaged in the labor market. These include:

- Providing training in multiple languages and making linguistically-accessible supervision available to support home care workers whose native language is not English. Having a linguistically diverse workforce will also help enhance the communication and coordination of care with clients and their families that is important to providing high-quality care.
- Ensuring that background-check-related disqualification of potential care workers be reasonably tailored to exclude only those who pose a risk to clients’ health and safety, and be based on solid evidence of a connection between the prior offense and the risk of harm.⁶⁹ Ensuring that there is a process through which applicants may appeal denials of employment, and that considers the passage of time since their conviction, extenuating circumstances, any rehabilitation they have undergone, and the connection of the disqualifying offense to their potential role will help to reduce barriers to employment and expand the potential caregiving workforce without unjustifiably risking the wellbeing of those who need care.

b) Investing in Training and Professional Development for Incumbent Workers

Increasing wages and benefits, and providing funding and access to pre-service education and training can all serve as effective recruitment tools for workers new to direct service work. But to further encourage out-of-work Americans to enter the caregiving sector, and to reduce the risk of turnover for them as well as those already in caregiving occupations, investments in ongoing education, training, and career pathways that offer economic mobility are necessary.

Early Care and Education: There is considerable debate in the early care and education world about the qualifications that make someone a “high-quality” teacher—including educational attainment, credentialing, and other specialization in the development of young children, along with temperament and other factors—and how they are correlated with high-quality care.⁷⁰ The staffing structure outlined in our proposal—specifically the goal to have every classroom attended at least half time by a Bachelor’s level head teacher—has two purposes. The structure aims to ensure that young children benefitting from the expansion receive high-quality care, and to reasonably estimate the costs of recruiting and retaining qualified staff. If it is necessary to phase-in the expansion of the proposed center-based model, the staffing structure will create opportunities for advancement for lower level workers, if they have access to training and education along the continuum of knowledge, skills, and practices that characterize high-quality programs. This will entail:

- Supporting multiple pathways to licensure, including more teacher preparation programs and scholarships and other financial assistance;
- Devoting additional resources to increase capacity in terms of the professional development that is available,⁷¹ as well as to reduce barriers—particularly financial barriers—that face ECE staff who want to access training and education;
- Making classes accessible, or employing instruction through distance learning strategies and interactive technology to help reduce logistical barriers to participation; and
- Expanding programs that produce graduate-level professionals who can serve as teachers and coaches.

Long-Term Care: As noted with respect to pre-service training, investments in training and ongoing education are inconsistent across the states, and universally underfunded.⁷² The challenge of providing adequate training is compounded by shortages in supervisors and faculty trained in geriatrics and gerontology.⁷³ Consequently, lack of access to useful training is a key driver of job dissatisfaction, which can lead to turnover.

While further effort is necessary to identify standards for the type of training that is most effective, the Affordable Care Act included an array of training and workforce development grants related to establish and implement direct care standards, training and professional development programs, including:

- The Nursing Assistant and Home Health Aide Program;⁷⁴
- Training Opportunities for Direct Care Workers;⁷⁵ and the
- The Geriatrics Workforce Enhancement Program.⁷⁶

These initiatives reflected a formal recognition of the need to build capacity for training and workforce development for direct care workers, and appropriating funds to them on an ongoing basis will help address current inadequacies. To establish a systemic approach to integrate training investments into the infrastructure of home health care, the federal government could provide an enhanced Medicaid matching rate for the share of direct costs for training and education, up to a defined amount. This could incentivize states to either mandate or encourage providers to increase the availability of continuing education and training.

Further, providing education and training opportunities for home care workers that will lead to higher paying and more skilled jobs will help address current and future shortages projected not just for direct care workers, but also for other professionals specialized in geriatrics. This could include:

- Creating a pipeline of nurses in the gerontology field;
- Establishing new mid-level positions with enhanced roles and responsibilities and higher wages, such as an Advanced Direct Care Worker position;
- Developing other advanced roles, including those designed to enhance communication and coordination among an individual's care team and family members at the direction of the client; to provide support and mentoring to entry-level workers to help promote their competency and retention; or to establish a specialty for workers with training in palliative care or dementia.⁷⁷

Conclusion

Policymakers across the ideological spectrum express the need for policies that create more good jobs. However, some proposals under serious consideration would at best fall far short of meeting the needs of American families and at worst undermine their existing economic security. In contrast, this report offers an opportunity to strengthen families through new investments that simultaneously create new high-quality jobs and remove a major obstacle that keeps too many adults out of the formal labor force.

The United States faces critical needs for caregiving that could give rise to good jobs, but—given families' limited financial resources—require more substantial public investment. The lack of affordable, formal care for young children, people with disabilities, and older adults affects their well-being as well as their family members' employment, health and well-being, and economic security. At the same time, those who are able to work and identify themselves as unemployed cite the lack of good jobs and the challenge of family responsibilities as the top reasons that they are currently out of work.⁷⁸ Expanding public investments to meet families' needs for early care and education and long-term services and supports can address both of these challenges.

Whether debating physical infrastructure, health care, or early care and family leave, policymakers should consider approaches that boost job creation, quality, and preparation while helping people meet their family responsibilities. We believe some of the best ideas that satisfy these considerations are laid out in this report.

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