



Economic and Fiscal Impact Analysis of Wage Increases for IHSS Workers

Alameda County



Executive Summary

In-Home Supportive Services (IHSS) workers have become increasingly essential to the California workforce, providing necessary care to residents across the state. Over the last few years, IHSS related employment has increased to over half a million positions across California, and just under 32,000 in Alameda County.

In 2022-23, wages for IHSS workers are expected to reach **\$16/hour**, not including benefits. With the large number of IHSS workers in the Alameda County workforce, household spending from these wages will generate a significant economic impact. In 2024-25, there are three proposed wage increases: **\$18.5/hour**, **\$19.5/hour**, or **\$20/hour**. Each increase generates further growth in the total economic output generated.

The following are highlights of the economic impacts of both the 2022-23 scenario, as well as the three potential wage increases in 2024-25:

In 2022-23, the \$16/hour wages will generate \$437.2 million in economic output, support 2,378 jobs, and generate over \$153.8 million in labor income.

- An increase to \$18.5/hour will result in \$552.1 million in economic output, support 3,002 jobs, and generate \$194.3 million in labor income.
- An increase to \$19.5/hour will result in \$596.7 million in economic output, support 3,245 jobs, and generate approximately \$210.0 million in labor income.
- An increase to \$20/hour will result in \$619.1 million in economic output, support 3,367 jobs, and generate over \$217.8 million in labor income.

In 2022-23, the economic impact of IHSS workers will generate \$58.4 million in tax revenue, including \$28.9 million in state and local tax revenue and \$29.5 million in federal tax revenue.

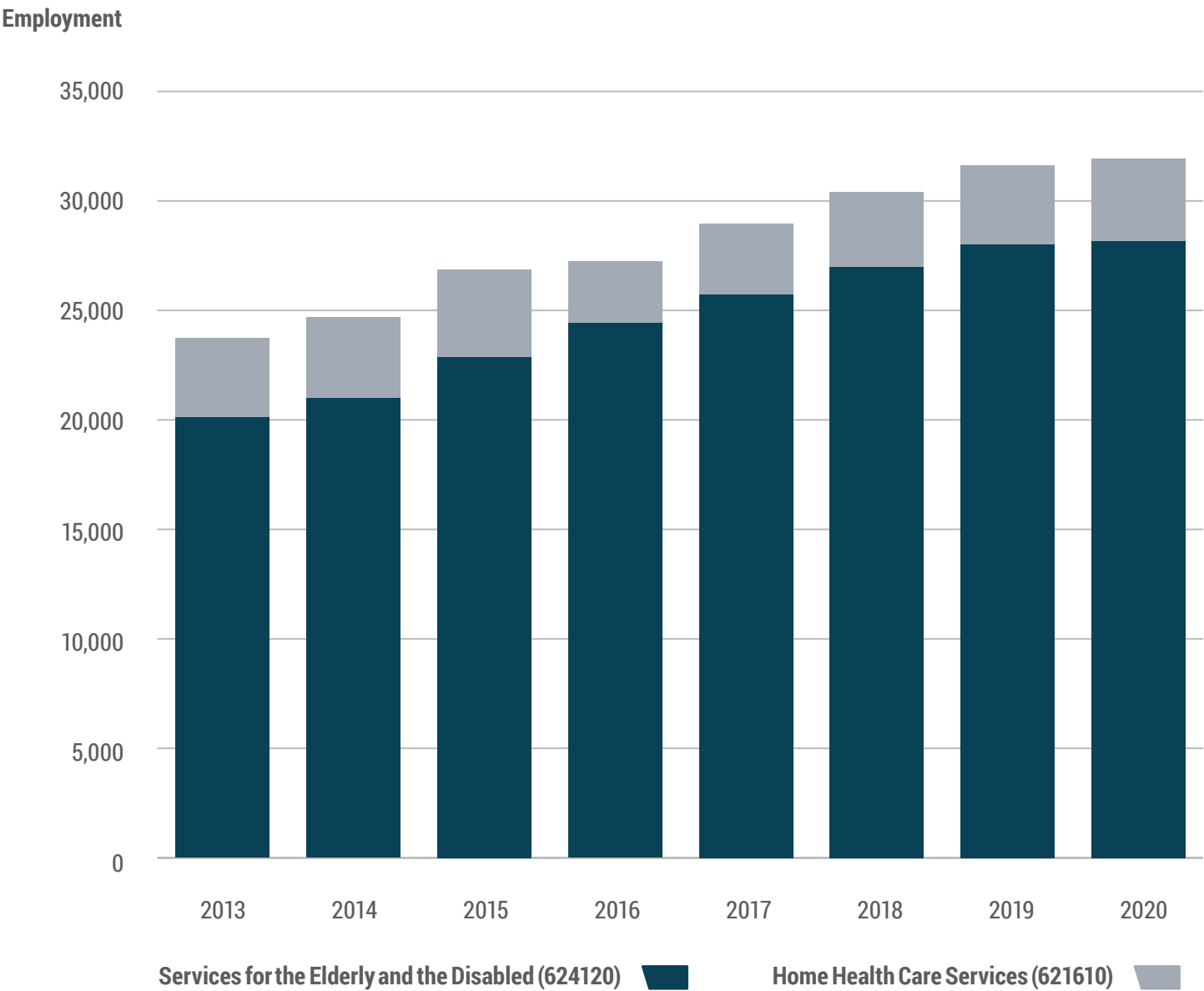
- An increase to **\$18.5/hour** in wages will result in total tax revenue increasing to **\$73.8 million**, with \$36.5 million coming from state and local taxes and \$37.3 million from federal taxes.
- An increase to **\$19.5/hour** in wages will result in total tax revenue increasing to **\$79.8 million**, including \$39.5 million coming from state and local taxes and \$40.3 million from federal taxes.
- An increase to **\$20/hour** in wages will result in total tax revenue increasing to **\$82.8 million**, including \$41.0 million coming from state and local taxes and \$41.8 million from federal taxes.

Introduction

In-Home Supportive Services (IHSS) workers are an essential part of the workforce, providing vital care to residents all across the state. Supported by federal, state and local funding, the total number of IHSS workers is over half a million across California.

Services for the Elderly and the Disabled (NAICS 624120) and Home Health Care Services (NAICS 621610) have been growing in demand over the past few years. Combined total employment in these two subsectors increased by 24.4% between 2015 and 2020, reaching over 716,000 positions. In Alameda County, total employment in the two subsectors reached almost 32,000 – with a five-year growth rate of 18.9% between 2015 and 2020. Demand for IHSS services has continuously increased, with an estimated 600,000 recipients across the state. As such, the supply of workers has had to keep up to ensure that IHSS recipients are receiving proper care.

Figure 1: Employment Growth in Services for the Elderly and the Disabled and Home Health Care Services, 2013 - 2020



Source: Quarterly Census of Employment and Wages. Analysis by Beacon Economics.

For this study, Beacon Economics estimates the impact of household spending from the **\$16/hour** wages spent on IHSS workers in 2022-23 ("**Current Scenario**"); the proposed increase of wages to **\$18.50/hour** by 2024-25 ("**Scenario 1**"); the potential increase of wages to **\$19.50/hour** by 2024-25 ("**Scenario 2**"); and lastly, the potential increase of wages to **\$20/hour** by 2024-25 ("**Scenario 3**"). This analysis estimates the total impacts of net disposable income that workers receive under these various scenarios across Alameda County.


Methodology

In order for Beacon Economics to conduct this study, data on IHSS worker payroll in Alameda County was collected from the California Department of Social Services (CDSS) highlighting anticipated total hours worked for 2022-23 and 2024-25, as well as spending by federal, state and local jurisdictions on the various programs. The information was disaggregated by three types of programs IHSS workers serve:

In order to estimate the full economic and fiscal impact of the wage scenarios, both in the year of 2022-23 and potential scenarios in 2024-25, Beacon Economics utilizes an input-output modeling system that estimates changes in household income by income group. Workers in IHSS occupations traditionally come from lower income household groups, and as such, Beacon Economics estimated the changes in wage structure for workers in household incomes that earn less than \$40,000 annually in Alameda County.

"REGULAR" PERSONAL CARE SERVICES PROGRAM (PCSP)	This program serves residents with full-scope Medi-Cal Benefits
COMMUNITY FIRST CHOICE OPTION (CFCO)	This is an alternative program for PCSP. CFCO provides home and community-based support, including household chore aid, personal care, paramedic services and more.
RESIDUAL	Residents who are not eligible for full-scope Medi-Cal benefits and do not receive federal participation within their program costs.





When constructing an input-output model, it is important to only include “new” money into the model – essentially wages that otherwise would not be circulating in the economy. For example, wages funded by Alameda County toward IHSS workers would be spent in other areas if the program did not exist; that money is always existing in the economy and generating impacts.

Conversely, it is not the same for federally and state-supported IHSS programs that are spending billions of dollars due to the nature of the program. For this reason, Beacon Economics uses federally and state-funded wages to build the impacts of IHSS programs.

DIRECT IMPACT

The additional output of goods or services resulting from a change in spending.

INDIRECT IMPACT

The additional output of goods or services resulting from business-to-business transactions or supply chain effects.

INDUCED IMPACT

The additional output of goods or services resulting from increased spending by individuals as household income rises.

For the results, Beacon Economics highlights the impacts generated by changes in household spending for IHSS workers. Impact analysis can fall under three types of impacts:

Due to the nature of this study (which is estimating how changes in households pertaining to IHSS workers will impact the economy), the results of the analysis will fall solely under induced impacts since it is only changes in household spending that are being captured.

Data Inputs

Using Alameda County data collected from the CDSS, the following figures highlight the total amount of IHSS wages paid by government agencies (by specific potential wage scenario):

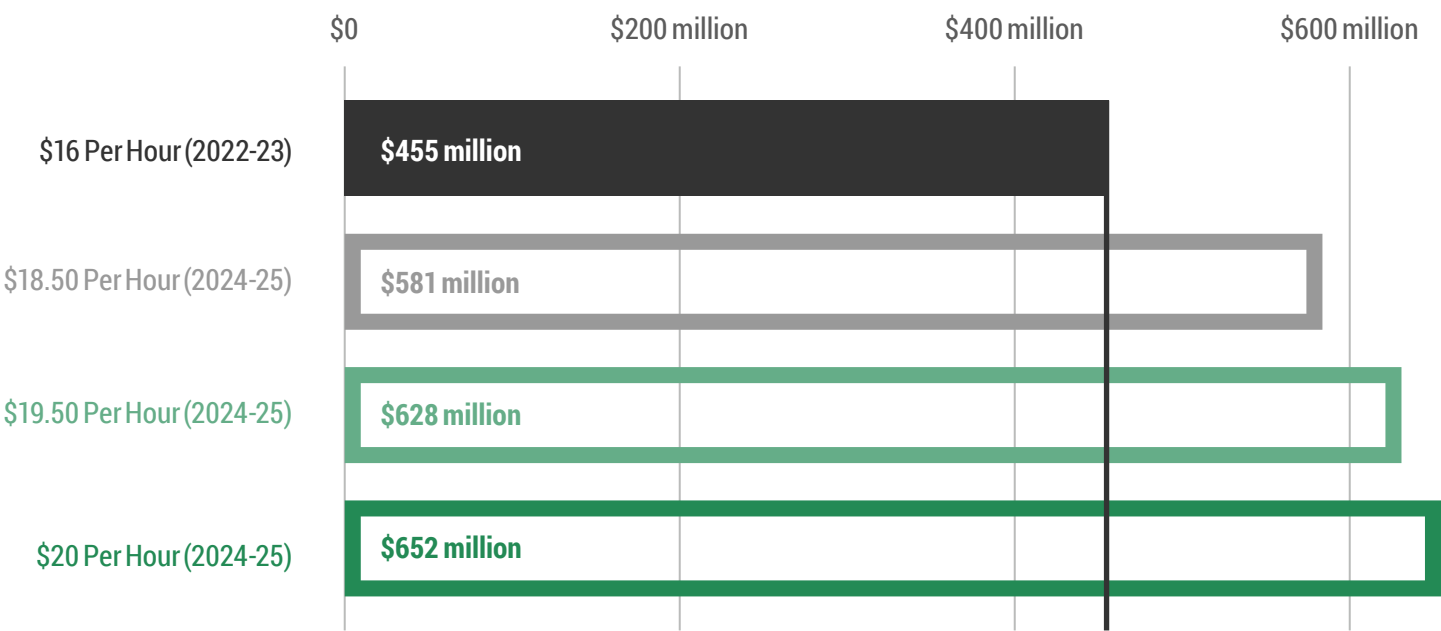
Figure 2: Total IHSS Wages Paid by Government Agencies (\$, Millions)

Government Agency	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
Federal	340.5	441.7	484.8	506.3
State	194.8	242.9	255.2	261.3
County	104.9	146.0	171.6	184.4
Total	640.2	830.6	911.5	952.0

Source: CDSS. Analysis by Beacon Economics.

In order to estimate the total economic impact, Beacon Economics uses the net disposable income to adjust for changes in household spending by wage structure. The net disposable income, or the “model inputs” used, is federal funding plus state funding (accounting for payroll taxes). After adjusting for these constraints, the total net disposable income, or inputs used per scenario, are:

Figure 3: Net Disposable Income by Potential Scenario (\$, Millions)



Source: CDSS. Analysis by Beacon Economics.

For the **current scenario**, or the **\$16/hour** anticipated payout for 2022-23, the total disposable income reached **\$455.0 million** – which is the primary driver to be used to estimate the impact analysis. For the potential scenarios in 2024-25, the disposable incomes rise to **\$581.9 million**, **\$629.0 million** and **\$652.5 million** for the estimated hourly wages of **\$18.50**, **\$19.50** and **\$20** respectively.



Economic and Fiscal Impacts

Economic Impacts

This section highlights the estimated economic impacts generated by the current wage structure for 2022-23, as well as the three scenarios in 2024-25. Results listed below are all adjusted for 2021-dollar years for comparative purposes. As noted in the methodology, the analysis below focuses on the induced impacts since this model is structured to estimate how changes in IHSS household spending will ripple through the economy.

EMPLOYMENT

Figure 4: Total Jobs Supported by IHSS Wages by Scenario

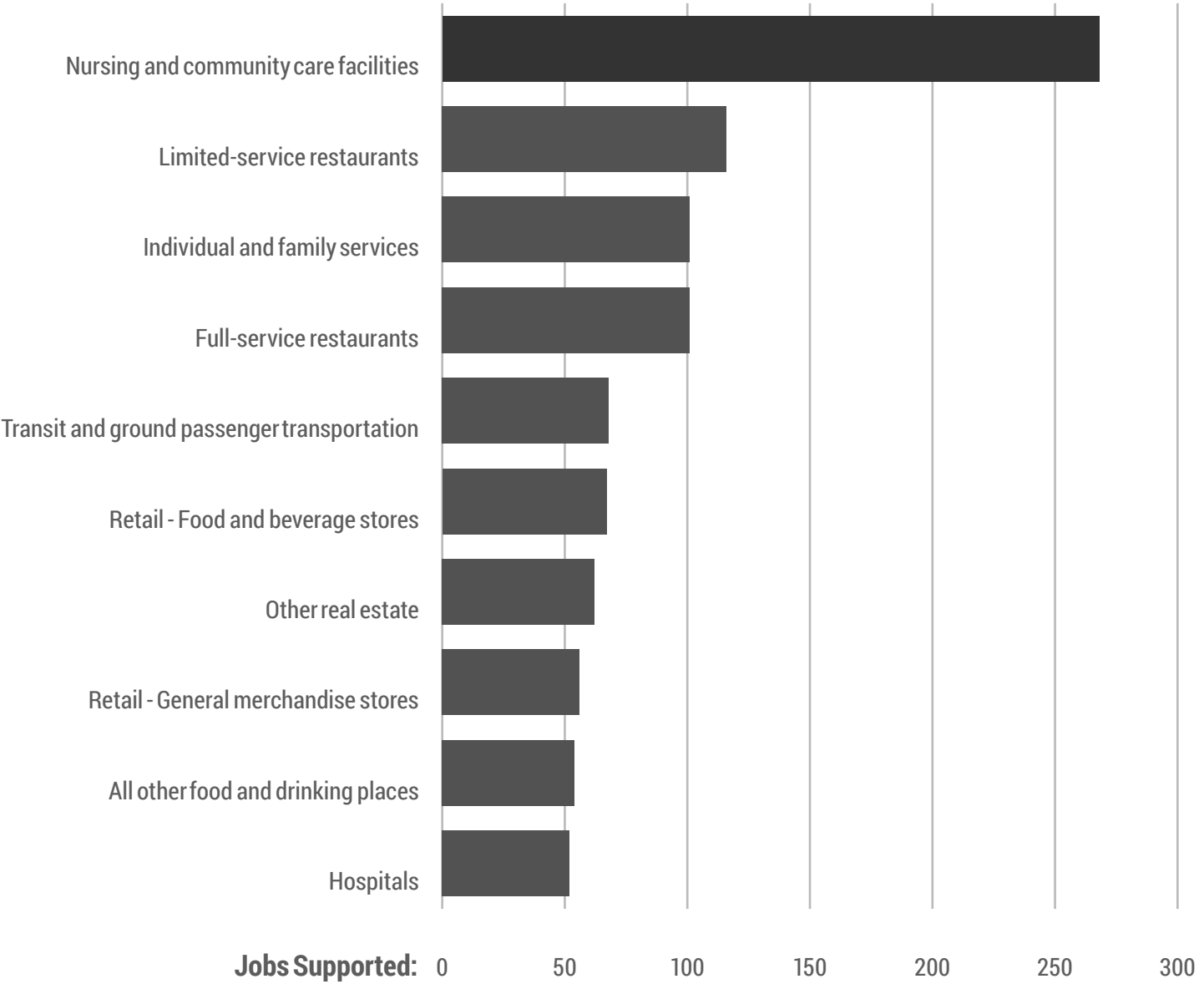
	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
Total	2,378	2,937	3,098	3,178

Source: IMPLAN. Analysis by Beacon Economics.

Under the current proposed wage structure of **\$16** per hour for 2022-23 (\$18.51 total with benefits and payroll tax), the estimated number of jobs supported by IHSS workers across Alameda County is approximately **2,378** workers. Each scenario in 2024-25 will change the estimated total number of jobs supported. The following highlights the approximate increase in jobs supported based on each scenario:

- **Scenario 1** will result in approximately **625** additional jobs supported
- **Scenario 2** will result in approximately **868** additional jobs supported
- **Scenario 3** will result in approximately **989** additional jobs supported

Figure 5: Top 10 Industries Supported through IHSS Wages (Industry Jobs Supported through Current Scenario)



Source: IMPLAN. Analysis by Beacon Economics.

As seen in Figure 5 above, various industries are supported by the wages IHSS workers earn and spend. In the **current scenario**, or the **\$16/hour** expected wage for 2022-23, a total of **2,378** jobs would be supported across more than 130 sectors. Approximately 40% of these supported jobs are expected to be within the ten industries listed in Figure 5, with Nursing and Community Care Facilities reaping the most support in terms of employment at 268 jobs supported.

Figure 6: Changes in Top 10 Industries Supported by IHSS Wages by Scenario Type

	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
Hospitals	52	66	71	74
All other food and drinking places	54	69	74	77
Retail - General merchandise stores	56	71	76	79
Other real estate	62	78	84	87
Retail - Food and beverage stores	67	85	91	95
Transit and ground passenger transportation	68	86	93	96
Full-service restaurants	101	127	137	142
Individual and family services	101	127	138	143
Limited-service restaurants	116	147	159	165
Nursing and community care facilities	268	339	366	380

Source: IMPLAN. Analysis by Beacon Economics.

By 2024-25, with the proposed increase in wages from **\$16/hour** to between **\$18.50/hour** and **\$20/hour**, the aforementioned industries supported by IHSS wages will increase further in terms of number of jobs. If wages increase to **\$20/hour** by 2024-25, industries such as Nursing and Community Care Facilities could see up to a **42% increase** in jobs supported, with over 120 positions expected to be supported through IHSS wages. Figure 6 above highlights how the top 10 industries supported by IHSS wages will vary depending on the wage scenario.

LABOR INCOME

Figure 7: Total Labor Income Generated by IHSS Wages by Scenario (\$, Millions)

	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
Total Labor Income	153.8	194.3	210.0	217.8

Source: IMPLAN. Analysis by Beacon Economics

In 2022-23, the baseline **\$16 per hour** wage (\$18.51 total with benefits and payroll tax) is estimated to generate over **\$153.8 billion** in wages across Alameda County. However, increasing the wages as proposed will result in larger estimated impacts on labor income across the county:

- **Scenario 1** will generate **\$40.4 million** in additional labor income
- **Scenario 2** will generate **\$56.1 million** in additional labor income
- **Scenario 3** will generate **\$64.0 million** in additional labor income

OUTPUT

Figure 8: Total Economic Output Generated by IHSS Wages by Scenario (\$, Millions)

	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
Total Economic Output	437.2	552.1	596.7	619.1

Source: IMPLAN. Analysis by Beacon Economics.

In 2022-23, under the **\$16 per hour** wage structure (\$18.51 total with benefits and payroll tax), the total estimated economic output generated is approximately **\$437.2 million**. However, increasing the wages by 2024-25 will result in larger household spending patterns, thereby generating larger economic impacts overall. The following estimates the three potential scenarios and the approximate increase in economic output across Alameda County under each model:

- **Scenario 1** will generate an additional **\$114.9 million** in economic output
- **Scenario 2** will generate an additional **\$159.6 million** in economic output
- **Scenario 3** will generate an additional **\$181.9 million** in economic output

FISCAL IMPACTS

Wages paid to IHSS workers generate substantial fiscal revenues at the local, state and federal level. As this analysis focuses on the household spending patterns of IHSS workers, there is considerable tax revenue collected from sales tax, income tax, property tax and more. In total, roughly \$58.4 million is estimated to be collected in taxes from IHSS workers' spending in 2022-23 under the **\$16/hour** wage structure. Approximately **\$28.9 million** is collected in state and local taxes, and **\$36.4 million** in federal taxes. The largest sources of funding are estimated to be social insurance tax (\$15.9 million), income tax (\$13.0 million) and sales tax (\$10.4 million) for the 2022-23 wage scenario.

Figure 9: Tax Revenues by Source for Current Scenario (\$, Millions)

Tax Type	State & Local	Federal	Total
Sales Tax	10.4	-	10.4
Property Tax	9.4	-	9.4
Income Tax	3.6	9.4	13.0
Social Insurance Tax	0.7	15.2	15.9
Corporate Profits Tax	1.5	3.4	5.0
Other	3.3	1.4	4.7
Total	28.9	29.5	58.4

Source: IMPLAN. Analysis by Beacon Economics.

Conversely, if wages rise to **\$20/hour** by 2024-25, roughly **\$82.8 million** is estimated to be collected in taxes – with **\$41.0 million** in state and local taxes and **\$41.8 million** in federal tax revenues. Under the \$20/hour wage structure, social insurance tax collected is estimated to total \$22.5 million, followed by income tax at \$18.5 million and sales tax at \$14.7 million.

Figure 10: Total Tax Revenues Collected by Government Agency by Scenario (\$, Millions)

	Current \$16/hr by 2022-23	Scenario 1 \$18.50/hr by 2024-25	Scenario 2 \$19.50/hr by 2024-25	Scenario 3 \$20/hr by 2024-25
State & Local	28.9	36.5	39.5	41.0
Federal	29.5	37.3	40.3	41.8
Total	58.4	73.8	79.8	82.8

Source: IMPLAN. Analysis by Beacon Economics.

Conclusion

Alameda County benefits greatly from workers within the IHSS industry. Aside from the necessary work needed by residents in the community, there are substantial economic benefits generated through the wages workers receive. While the current model structure already creates hundreds of millions of dollars in economic output, potential added wages will only increase the positive impact that IHSS worker households generate across the county.

Under the 2022-23 wage structure, over **\$437 million** is expected to be generated in economic output across Alameda County, with **\$153.8 million** in labor income created and **2,378 jobs** supported. Increasing the wage structure from **\$16/hour** to **\$20/hour** can drive economic output up by **\$182 million**, add **\$64 million** more in labor income, and support almost **1,000 additional jobs**.

Fiscal impacts are also substantial across Alameda County, driven by household spending through IHSS workers' wages. In 2022-23, an estimated **\$58.4 million** is expected to be collected in state, local and federal tax revenues. Potentially increasing IHSS wages to **\$20/hour** would bring total government tax revenues to roughly **\$83 million**.

About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis.

Expertise in Economic Impact Analysis

Since 2011, Beacon Economics has conducted multiple comprehensive analyses that have provided reliable and quantifiable data on the economic impact of various industries and organizations, including DesertXpress Brightline, Queen Mary, California Attractions & Parks Association, and East Bay Regional Parks. Analyses evaluate major economic impacts associated with these entities and their fiscal impact on national, state and local governments. They also incorporate a comprehensive assessment of the social and qualitative impacts associated with these institutions. By combining sampling methods, financial data, surveys, and other available economic resources with current frameworks for studying economic impacts, Beacon Economics estimates the amount of economic activity generated in the local and broader economy by calculating the spending of entities and other participants in the affected region.

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