



Economic and Fiscal Impact Analysis of Wage Increases for IHSS Workers

Los Angeles County



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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 716,000 positions across California, with one-third of workers statewide employed in Los Angeles County alone.

Hourly wages for Los Angeles County IHSS workers are expected to be **\$16/hour** for 2022-23, not including benefits. With hundreds of thousands of workers, the total payroll for IHSS workers is anticipated to generate a significant economic and fiscal impact as their spending ripples through the economy. By 2024-25, there are three proposed increases for hourly wages: **\$18.5/hour**, **\$19.5/hour**, and **\$20/hour**. Each increase generates more economic impact, helping support more jobs in various industries and creating greater output.

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

In 2022-23, the **\$16/hour** wage will generate **\$5.0 billion** in economic output, support **28,313 jobs**, and generate **\$1.7 billion** in labor income.

- An increase to **\$18.5/hour** will result in **\$6.4 billion** in economic output, support **36,308 jobs**, and generate **\$2.1 billion** in labor income.

- An increase to **\$19.5/hour** will result in **\$6.8 billion** in economic output, support **38,809 jobs**, and generate approximately **\$2.3 billion** in labor income.

- An increase to **\$20/hour** will result in **\$7.1 billion** in economic output, support **40,287 jobs**, and generate over **\$2.4 billion** in labor income.

In 2022-23, the economic impact of IHSS workers will generate **\$707.1 million** in tax revenue, including \$340.2 million in state and local tax revenue and \$366.9 million in federal tax revenue.

- An increase to **\$18.5/hour** in wages will result in total tax revenue increasing to **\$906.8 million**, with \$436.3 million coming from state and local taxes and \$470.5 million from federal taxes.

- An increase to **\$19.5/hour** in wages will result in total tax revenue increasing to **\$969.3 million**, including \$466.4 million coming from state and local taxes and \$502.9 million from federal taxes.

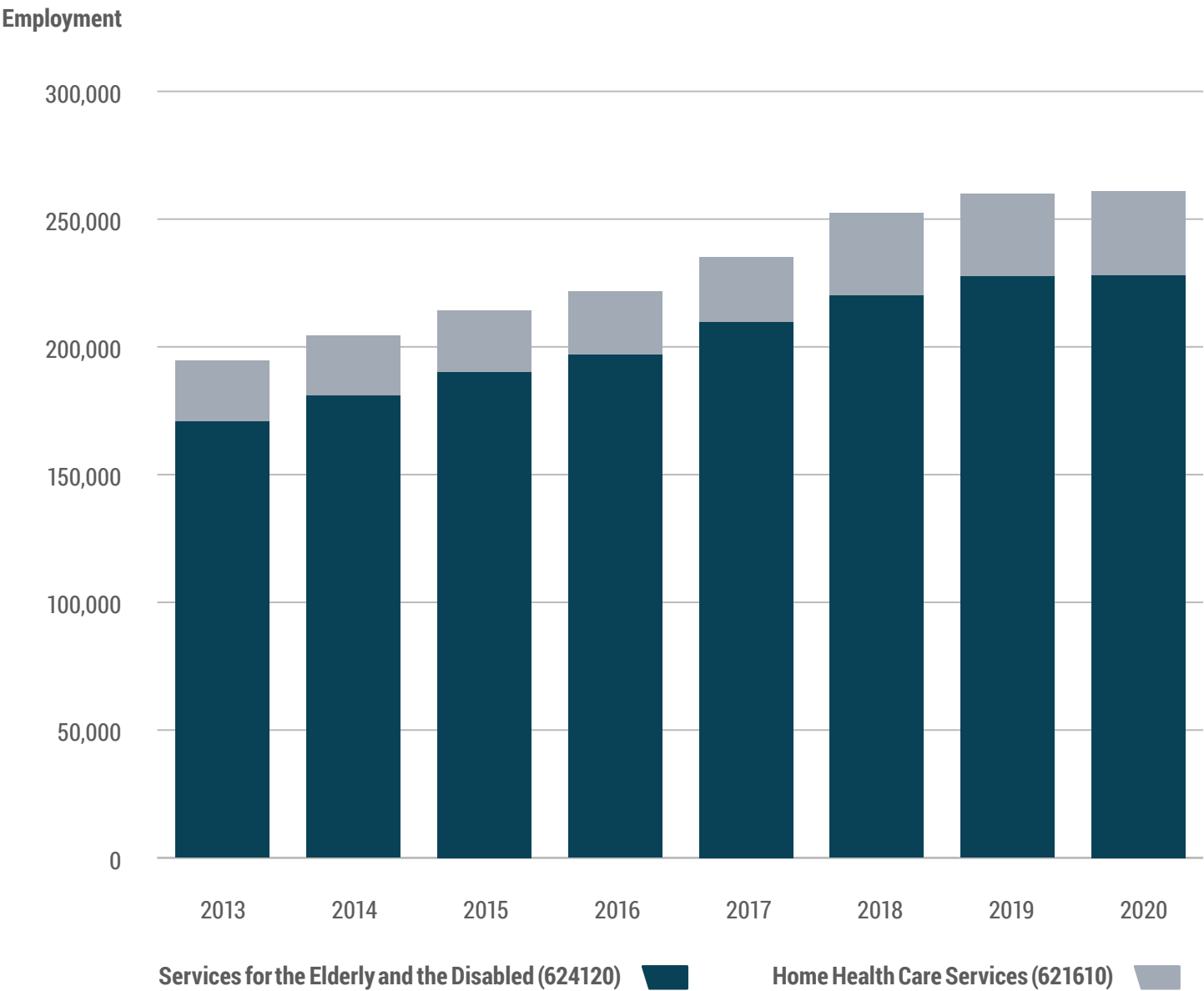
- An increase to **\$20/hour** in wages will result in total tax revenue increasing to **\$1.0 billion**, including \$484.1 million coming from state and local taxes and \$522.0 million from federal taxes.

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 62410) and Home Health Care Services (NAICS 621610) have been growing in demand over the past few years, and as a result, employment in both subsectors has been increasing. Statewide, employment in these two subsectors topped 716,000 workers in 2020 – growing by 24.4% from 2015. Demand has been just as high in Los Angeles County: Between 2015 and 2020, employment in the two subsectors increased by 21.8% - or 41,610 workers – reaching over 260,800 employees in 2020.

Figure 1: Employment Growth in Services for the Elderly and the Disabled, and Home Health Care Services, Los Angeles County



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 Los Angeles County.


Methodology

In order for Beacon Economics to conduct this study, data on IHSS worker payroll 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 Los Angeles 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 Los Angeles 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.

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:

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.

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 payroll data collected from the CDSS, the following table highlights the total amount of IHSS wages paid by government agencies for each potential scenario:

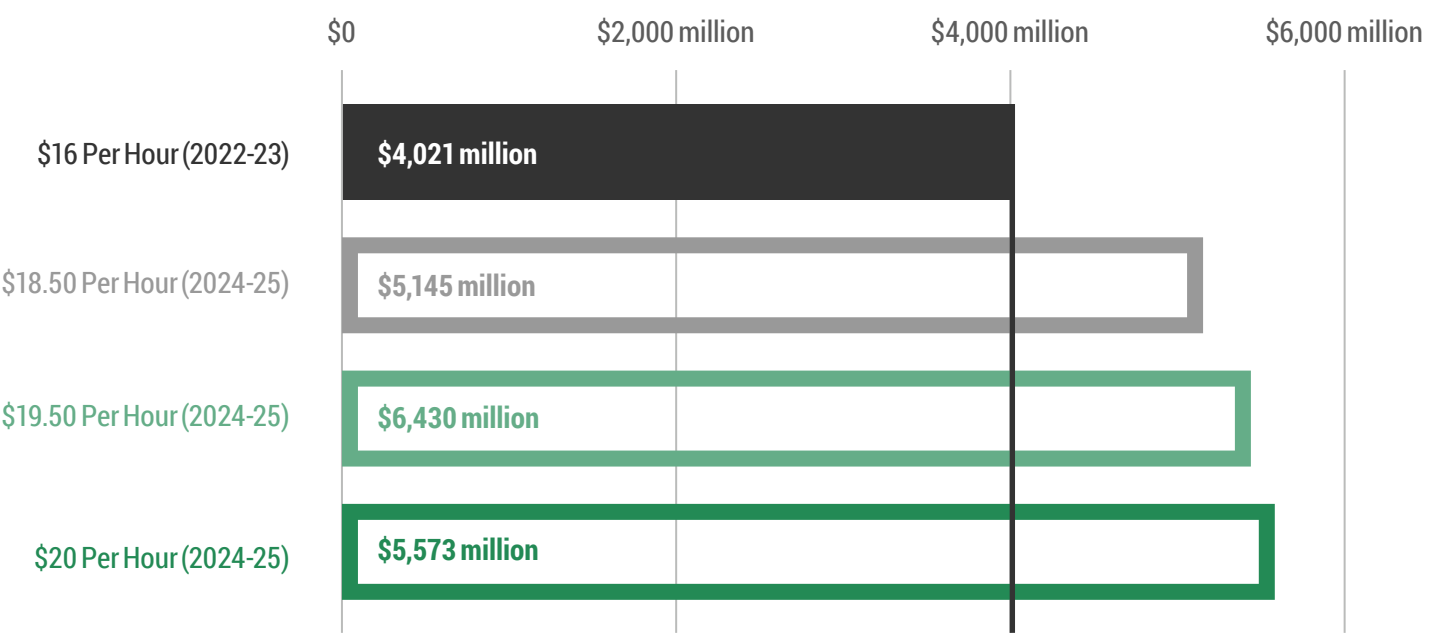
Figure 2: Total IHSS Wages Paid by Government Agencies (\$, Millions)

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	\$3,009.3	\$3,946.3	\$4,340.2	\$4,537.2
State	\$1,721.9	\$2,197.8	\$2,310.5	\$2,366.9
County	\$927.2	\$1,276.2	\$1,510.2	\$1,627.2
Total	\$5,658.4	\$7,420.3	\$8,160.9	\$8,531.3

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.



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 Jobs Supported	28,313	36,308	38,809	40,287

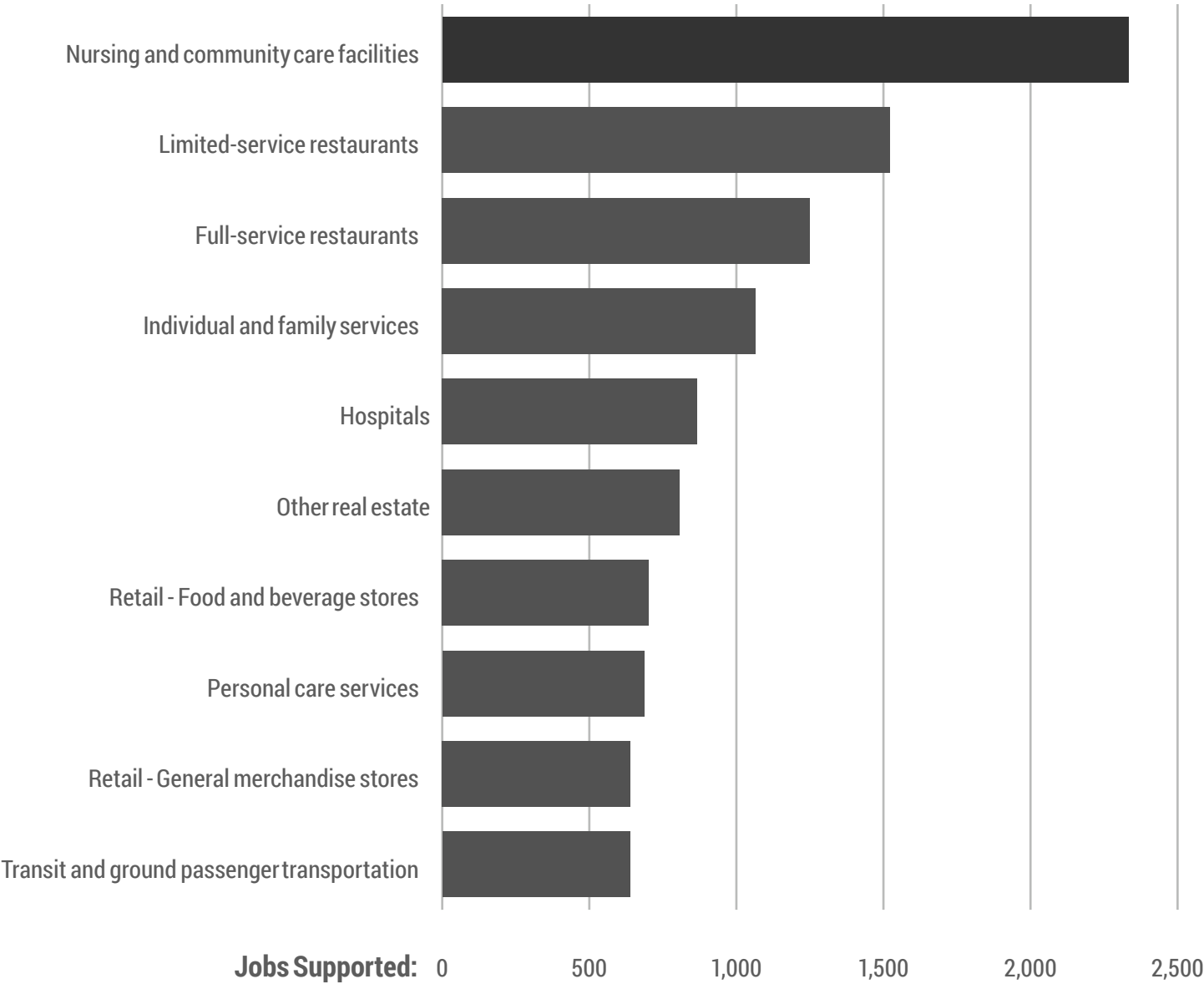
Source: IMPLAN. Analysis by Beacon Economics.

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 Los Angeles County is just over 28,310 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 **7,995 additional jobs**
- **Scenario 2** will result in approximately **10,496 additional jobs**
- **Scenario 3** will result in approximately **11,974 additional jobs**



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



Source: IMPLAN. Analysis by Beacon Economics.

With over 28,000 IHSS jobs supported across Los Angeles County in the 2022-23 anticipated payroll, a number of industries will benefit from the household spending of IHSS employees. The largest beneficiary in terms of jobs supported is expected to be Nursing and Community Care Facilities, with over 2,330 jobs supported in that industry alone. Restaurants are also expected to benefit from the spending of IHSS workers – with limited-service and full-service restaurants expecting a total of over 2,770 jobs to be supported between the two industries.

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
Nursing and community care facilities	2,333	2,992	3,198	3,320
Limited-service restaurants	1,523	1,953	2,088	2,167
Full-service restaurants	1,250	1,603	1,714	1,779
Individual and family services	1,066	1,367	1,461	1,517
Hospitals	866	1,111	1,187	1,233
Other real estate	807	1,035	1,106	1,149
Retail - Food and beverage stores	703	901	963	1,000
Personal care services	686	879	940	976
Retail - General merchandise stores	639	820	876	910
Transit and ground passenger transportation	638	818	875	908

Source: IMPLAN. Analysis by Beacon Economics.

By 2024-25, increases in hourly wages among IHSS workers can translate into further ripple effects across the economy and more jobs supported across industries that rely on IHSS worker spending. In fact, if IHSS wages increase to **\$20/hour**, then industries are, on average, expected to see a **42% increase** in employment. The number of jobs supported in Nursing and Community Care Facilities is expected to increase by almost 1,000 workers, rising to 3,320. Should the \$20/hour wage go into effect in 2024-25, the average increase in the number of jobs supported across the top 10 industries is expected to be roughly 455.

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	1,674.4	2,147.2	2,295.1	2,382.5

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 **\$1.67 billion** in wages across Los Angeles County. However, increasing the wages as proposed will result in larger estimated impacts on labor income across the county:

- **Scenario 1** will generate **\$472.8 million** in additional labor income
- **Scenario 2** will generate **\$620.7 million** in additional labor income
- **Scenario 3** will generate **\$708.1 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	4,992.9	6,402.7	6,843.8	7,104.4

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 **\$5 billion**. However, increasing the wages by 2024-25 will result in larger household spending patterns, meaning larger economic impacts overall. The following estimates the three potential scenarios and the approximate increase in economic output across Los Angeles County under each model:

- **Scenario 1** will generate an additional **\$1.4 billion** in economic output
- **Scenario 2** will generate an additional **\$1.9 billion** in economic output
- **Scenario 3** will generate an additional **\$2.1 billion** 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 household spending patterns of IHSS workers, there is considerable tax revenue collected from sales tax, income tax, property tax and more. In total, upwards of **\$707.1 million** is estimated to be collected in taxes from IHSS workers' spending in 2022-23 under the **\$16/hour** wage structure. Roughly \$340.2 million is collected in state and local taxes, and \$366.9 million in federal taxes. The largest sources of funding are estimated to be income tax (\$191.5 million), social insurance tax (\$177.9 million) and sales tax (\$131 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	131.0	-	131.0
Property Tax	104.6	-	104.6
Income Tax	53.7	137.8	191.5
Social Insurance Tax	7.5	170.4	177.9
Corporate Profits Tax	17.0	37.9	54.9
Other	26.5	20.8	47.3
Total	340.2	366.9	707.1

Source: IMPLAN. Analysis by Beacon Economics.

Conversely, if wages rise to **\$20/hour** by 2024-25, more than **\$1.0 billion** is estimated to be collected in taxes – with \$484.1 million in state and local taxes and \$522.0 million in federal tax revenues. Under the \$20/hour wage structure, income tax collected is estimated to total \$272.4 million, followed by social insurance tax at \$253.1 million and sales tax at \$186.4 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 and Local	340.2	436.3	466.4	484.1
Federal	366.9	470.5	502.9	522.0
Total	707.1	906.8	969.3	1,006.2

Source: IMPLAN. Analysis by Beacon Economics.

Conclusion

Workers in the IHSS industry provide not only essential services to their community, they are also a key driver of the Los Angeles County economy through household spending. Under the current wage structure for 2022-23, an estimated **\$5 billion** is expected to be generated through induced spending across the county, driven by IHSS workers' spending. Potential wage increases by 2024-25 can see these impacts increase by up to **\$1.8 billion**. IHSS workers' household spending plays a key role in supporting jobs in other industries, with 2022-23 wages supporting over **28,310 jobs**. Should wages rise to a range of **\$18.50** to **\$20** per hour by 2024-25, an additional **7,500** to **11,974 jobs** can be supported as well in a variety of industries.

The notable magnitude of the IHSS's payroll not only creates a significant economic impact, but also a fiscal one. In 2022-23, an estimated **\$707.1 million** is expected to be generated in tax revenues, which could potentially rise to between **\$907 million** to **\$1.0 billion** by 2024-25 with these potential wage increases.

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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