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PROPOSED HEALTH CARE MINIMUM WAGE INCREASE

What it would mean for
workers, patients, and
industry

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Executive summary

The proposed California Senate Bill No. 525 (SB 525) would establish a new \$25 per hour minimum wage for health care employees working at various medical facilities in the state to replace the existing state minimum wage of \$15.50 per hour for these workers. A \$25 health care minimum wage would lead to a significant boost in the earnings for low-wage health care workers and their families.

The COVID-19 pandemic significantly impacted the health care sector in California. The mental and physical toll of the pandemic resulted in high turnover rates, exacerbating existing retention and recruitment challenges in the industry.

The low wages paid to health care support workers, direct care workers, and health care service workers in California means they struggle to meet their basic needs; these low wages also significantly contribute to the difficulty in maintaining adequate health care staffing across the state. Staffing shortages impact patient care, leading to increased wait times, longer hospital stays, and inadequate treatment of chronic illnesses.

The proposed policy would result in significant benefits to workers and their families. We estimate that over 469,000 workers would be affected by the wage increase, including over 50,000 workers who currently earn slightly above \$25 an hour but would receive a pay increase to maintain their pay premium. Affected workers would receive an average wage increase of over \$5.74 per hour, or about a 30% increase in pay.

The proposed pay increase would disproportionately benefit workers of color, who represent 70% of affected workers; and women, who make up three out of four affected workers. The majority of affected workers are the primary income providers in their households. Close to half have children.

The higher wages collectively represent 1.3% of personal health spending in the state. While there is large variation across types of facilities, the wage increases would raise operating costs by about 3%. These estimated impacts on health expenditures do not consider additional savings from higher productivity of health care workers.

There is ample research linking higher pay, reductions in worker turnover, and improved staffing levels to better quality of care for consumers. Increasing pay to health care workers can be expected to improve patient outcomes, including shorter hospital stays and lower mortality rates.

Therefore, as this report shows, the proposed minimum wage has the potential to substantially improve conditions for low-wage health care workers that provide essential services to the state; to ameliorate staffing shortages in the industry; and to improve quality of care.



Policy context

SB 525 proposes a \$25 per hour minimum wage for health care workers at most medical facilities: general and surgical hospitals, psychiatric hospitals, outpatient clinics, offices of physicians, skilled nursing facilities, and home health care centers.¹ This health care worker minimum wage would replace the current state minimum wage for covered health care employment for all purposes under the Labor Code and the Wage Orders of the Industrial Welfare Commission in the state.² Because the state minimum wage is currently \$15.50 per hour, SB 525 would substantially increase the incomes of many low-wage health care workers and their families. This brief provides an analysis of the number of health care workers who would be affected by SB 525, their demographic characteristics, and the cost impact for health care facilities covered by the proposed legislation.

The socio-economic context

The COVID-19 pandemic has taken a significant toll on California's health care workers. Registered nurses, medical assistants, nursing home caregivers, maintenance workers, security officers, and other health care workers have spent countless hours providing essential services during the pandemic, at great risk to their own health and the health of their families, in order to keep our health care system running.³

The long hours, heavy workload, and fear of contracting the virus have harmed the mental and physical well-being of health care workers. A 2021 survey of health care providers by the California Health Care Foundation found that 6 out of 10 felt overworked and burned out, and more than two-thirds felt emotionally drained.⁴ This constant stress on health care workers over the past three years has led to higher turnover rates, exacerbating retention and recruitment challenges in the state's health care industry.⁵

According to a 2022 report, over 230,000 health care providers had left the profession nationally between the start of the pandemic and the end of 2021, including nurse practitioners, physicians assistants, physical therapists, and licensed clinical social workers.⁶ Although all health care workers have experienced physical and emotional tolls, health care workers from historically marginalized racial and ethnic groups, as well as those with young children, particularly women, exhibit higher turnover rates and have been slower to recover from the pressures of the pandemic.⁷

Even before the pandemic, the health care industry was facing a shortage of workers, largely due to increases in the demand for health care services arising from an aging population. According to the

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If they start you out at \$19 an hour you can make as much working at Target, but without working with needles or surrounded by death and illness. If health care wages don't start to compete with other industries there will continue to be short staffing. —Emmit Conklin, 28, Phlebotomist, St. John's Medical Center, Santa Monica, CA

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U.S. Census Bureau’s population projections, one in five persons will be of retirement age by 2030.⁸ As this demographic group continues to age, they are more susceptible to chronic illnesses such as diabetes, heart disease, and arthritis, which require ongoing care and monitoring. The elderly population is also more likely to experience acute health events such as strokes, falls, and fractures, which require hospitalization and rehabilitation services. The surge in demand for health care services will continue into the foreseeable future. As a result, the U.S. Bureau of Labor Statistics projects that nurse practitioners, physician assistants, physical therapists, and home health care aides will be among the fastest growing occupations over the next 10 years.⁹

In addition to burnout and increased demand, low pay is a significant contributor to the difficulties in maintaining an adequate health care workforce. Thousands of California’s health care workers earn low wages, including health care support workers (e.g., orderlies and pharmacy aides), direct care workers (e.g., personal care aides and nursing assistants), and health care service workers (e.g., housekeeping, janitors, and food preparation workers). These workers make up the majority of the health care workforce.¹⁰

Many of these workers do not earn enough to meet basic needs. The annual mean wage for home health and personal care aides in California was \$31,740 in 2021.¹¹ For nursing assistants, it was \$39,760.¹² According to the MIT Living Wage Calculator, which provides a measure of self-sufficiency, a single worker in California would need an annual wage of \$44,179 to be able to meet basic living expenses.¹³

One of the most basic needs for workers is housing. According to the National Housing Conference’s Center for Housing Policy, the annual income needed to afford rent for a one-bedroom apartment in the San Francisco, Oakland and Hayward metropolitan statistical area is \$105,240. In the Los Angeles, Long Beach and Anaheim metropolitan statistical area it is \$64,160.¹⁴ These income levels are substantially higher than the actual income of many health care workers. For instance, the average annual income of a nurse assistant in the San Francisco MSA and in the Los Angeles MSA is \$44,700 and \$37,400, respectively. For a home health aide it is \$36,300 and \$29,670. Housing insecurity is one of the biggest contributors to the precariousness of low-wage health care employment.

The combination of low wages and high living costs forces many health care workers to take on multiple jobs, leading to additional mental and physical stress, burnout, lost productivity, and often ultimately exit from the industry. Recent research shows that low-wage health care workers have turnover rates that are almost four times higher than turnover rates for higher-wage workers (e.g., registered nurses and physicians).¹⁵ The loss of these essential health care workers is particularly concerning for California. According to a 2021 study by Mercer, California is projected to have a substantial shortage (500,000 workers) of this critical health care labor by 2026.¹⁶

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If I lose my apartment,
I can’t afford a new place.
—Nathaly Rodriguez, 33, Lactation
Provider, Salud Para La Gente,
Watsonville, CA
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The inability to retain and recruit an adequate health care workforce due to burnout, turnover, and labor shortages is a significant public health problem. Health care staffing shortages lead to increased wait times, longer hospital stays, and inadequate treatment of chronic illnesses, which in turn lead to poor health care outcomes for patients.

A 2022 survey of physician offices in 15 metropolitan cities found that over the past five years, average appointment wait times are up 8% overall, up 26% at cardiologist offices, and up 19% at obstetrics and gynecologist offices.¹⁷ Delays in access to preventative health care can result in more complex, expensive and riskier procedures. It can also lead to patient mismanagement of chronic illnesses like diabetes and high blood pressure, leading in turn to more severe outcomes such as heart attacks and strokes.

Research also shows inadequate staffing of nurses, including licensed practical nurses and certified nurse aides, is associated with lower quality of care at nursing homes as indicated by higher deficiency citations for deviations from state and federal quality standards, more hospitalizations and emergency department visits, and lower scores on other quality measures.¹⁸ Staffing shortages at skilled nursing facilities also result in quality of care issues at other health care facilities. Hospitals throughout the country are reporting difficulties discharging patients on a timely basis due to backups at nursing and residential care facilities.¹⁹ Having to keep patients admitted longer than necessary puts undue strain on hospital resources and staff, and can impact patient health. Research shows longer hospital stays are associated with worse patient outcomes, including higher mortality rates.²⁰

The proposed policy

SB 525 proposes an increase in the state minimum wage for health care workers to \$25 an hour, starting on January 1, 2024.²¹ Each subsequent year, the minimum wage for health care workers would increase by 3.5%, or the annual rate of change in the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), whichever is greater.²²

Economic theory predicts that an increase in the relative wage of a particular job increases the labor supply of workers in these jobs. Workers in those jobs stay on the job longer. In addition, the higher relative wage will also attract new workers into these jobs.²³ Economists have empirically confirmed that labor significantly responds in these ways to increases in the relative wage.²⁴ Thus, by increasing the relative pay of health care workers, SB 525 would help retain and attract workers to essential health care occupations in the state.

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\$25 hr minimum wage would improve the health care setting for me and my colleagues and our loved ones. We'd be less stressed, more relieved, and feel more hope and more valued. —Enercky Santana, 25, Medical Assistant San Ysidro Medical Center, Chula Vista, CA

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Estimated impacts on and demographics of affected workers

Impact on workers

We estimate that about 469,100 health care workers will receive wage increases under SB 525. Together they represent 41% of all health care employees in the state, and almost 3% of California's total workforce.²⁵ This estimate includes 413,000 health care workers (88% of the total) directly affected by the higher minimum wage, and over 56,100 health care workers (12%) who will receive indirect wage increases due to the ripple effect from the new health care minimum wage (spillover effects).²⁶

Exhibit 1 breaks down the number of workers affected by type of health care facility. Workers in outpatient clinics and hospitals account for half (239,821) of all affected workers.²⁷ One in two (52.0%) workers in outpatient clinics and almost one in three workers (31.3%) in hospitals will receive a wage increase under SB 525. However, home health services and skilled nursing facilities will see the largest share of their workforce affected by the proposal. Three out of four (73.4%) workers in home health services and two out of three (66.4%) workers in skilled nursing facilities will receive wage increases under SB 525.

Exhibit 1. Estimated impacts of a minimum wage increase to \$25 for health care workers, by facility type

	Overall	Office of physicians	Outpatient clinics	Home health services	Hospitals	Psychiatric hospitals	Skilled nursing facilities	Medical labs
Number of workers affected*	469,097	44,124	120,400	75,701	119,421	6,101	84,230	19,119
Affected workers as a share of all workers in facility type	40.7%	17.4%	52.0%	73.4%	31.3%	40.0%	66.4%	48.0%
Average annual earnings increase**	\$10,966	\$10,952	\$10,198	\$12,368	\$10,358	\$9,631	\$12,494	\$11,175
Average percent annual increase	31.0%	31.4%	30.1%	41.1%	27.1%	27.2%	36.7%	31.1%
Average hourly wage increase	\$5.74	\$5.81	\$5.41	\$7.15	\$5.15	\$4.86	\$6.59	\$5.77

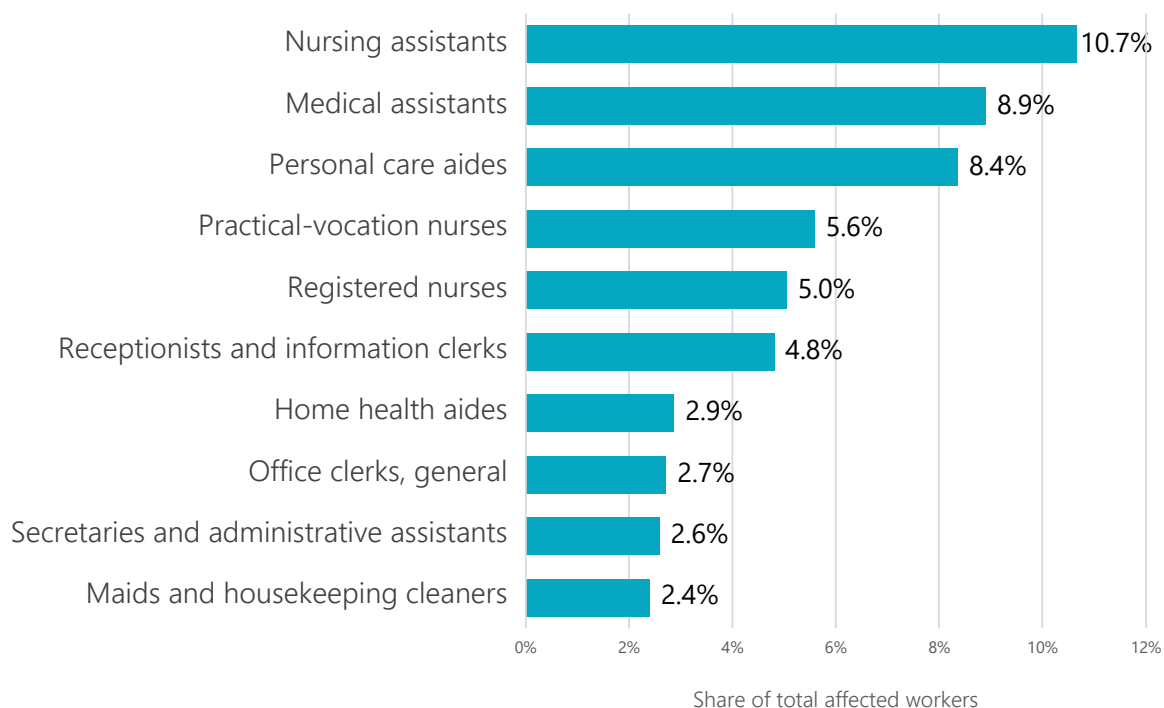
Note: *2021 QCEW. **Earnings and wage increases reported in 2024 dollars.

Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey and the Quarterly Census of Employment and Wages

We estimate that workers affected by SB 525 will receive an average hourly wage increase of \$5.74 an hour, and an average annual earnings increase of about \$11,000. This represents a 31% bump in pay for these health care workers. Workers in home health services and skilled nursing facilities will experience the highest increases in pay at 41.1% and 36.7%, respectively, highlighting the truly low-wage nature of these jobs.

Exhibit 2 shows the top 10 health care occupations most affected by SB 525. With 10.7% of the total, the nursing assistant occupation has the largest share of affected workers. Medical assistant and personal care aide occupations round out the top three affected occupations, with 8.9% and 8.4%, respectively. The 10 occupations shown in exhibit 2 account for over 50% of all workers affected by SB 525.

Exhibit 2. Top 10 health care occupations most affected by SB 525



Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

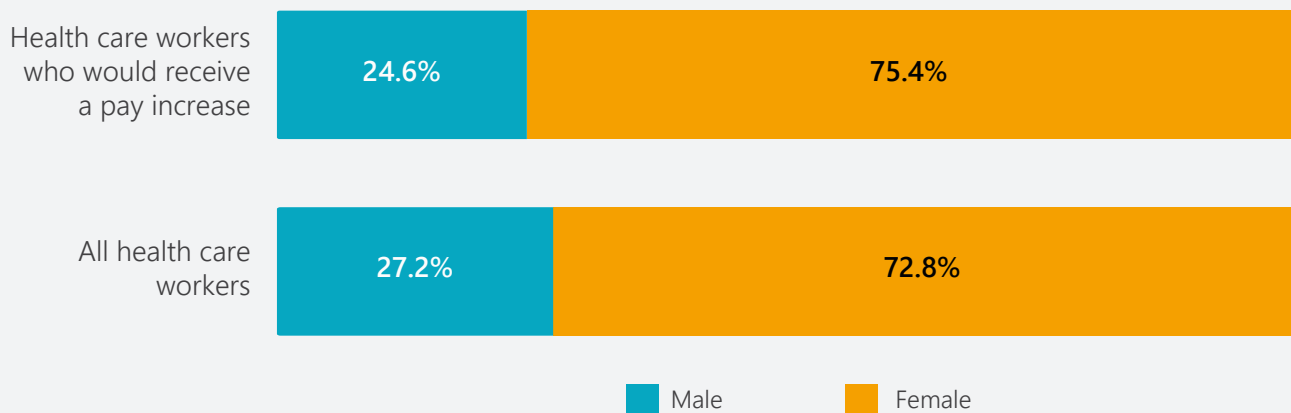
Demographics of affected workers

In this section we present demographic information about workers impacted by SB 525.

Gender

Three out of four (75.4%) affected workers are women. This is slightly higher than the share of all health care workers who are female (72.8%).

Exhibit 3. Gender of health care workers affected by a \$25 minimum wage

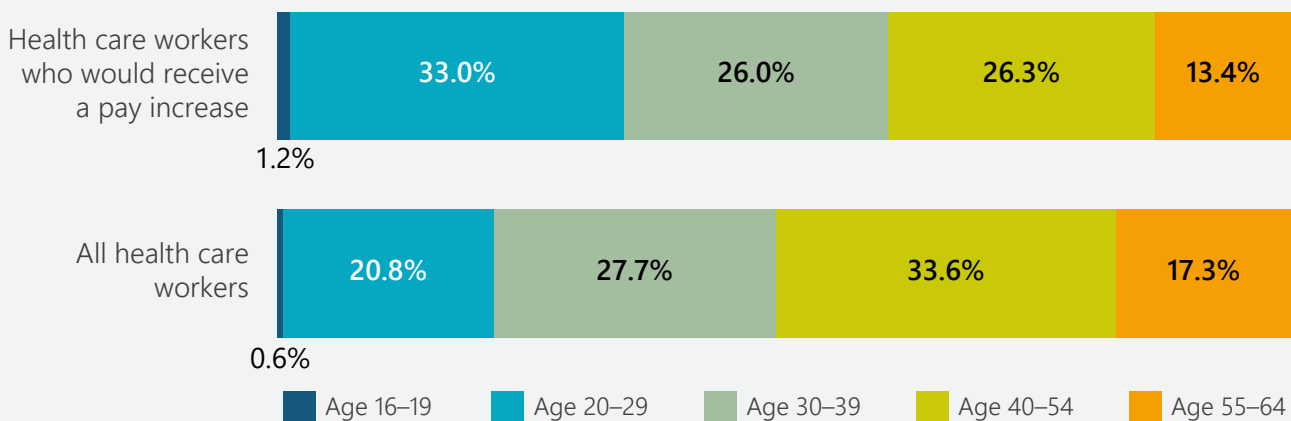


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Age

Almost 9 out of 20 workers affected are prime aged workers. Over half of affected workers (59.0%) are in their 20s and 30s.

Exhibit 4. Age of health care workers affected by a \$25 minimum wage

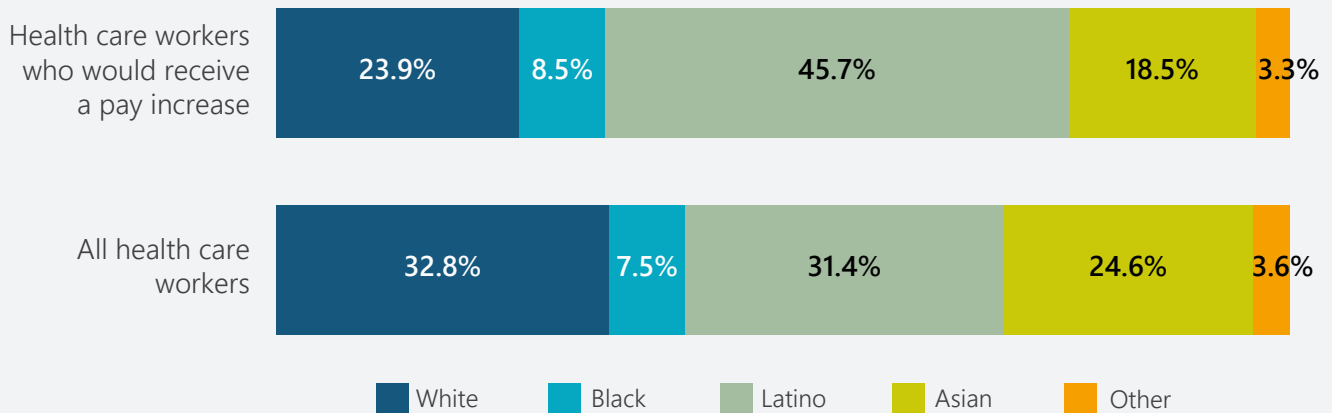


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Race and ethnicity

Almost half (45.7%) of all affected workers are Latino. Workers of color account for more than three quarters (76.0%) of affected workers.

Exhibit 5. Race and ethnicity of health care workers affected by a \$25 minimum wage

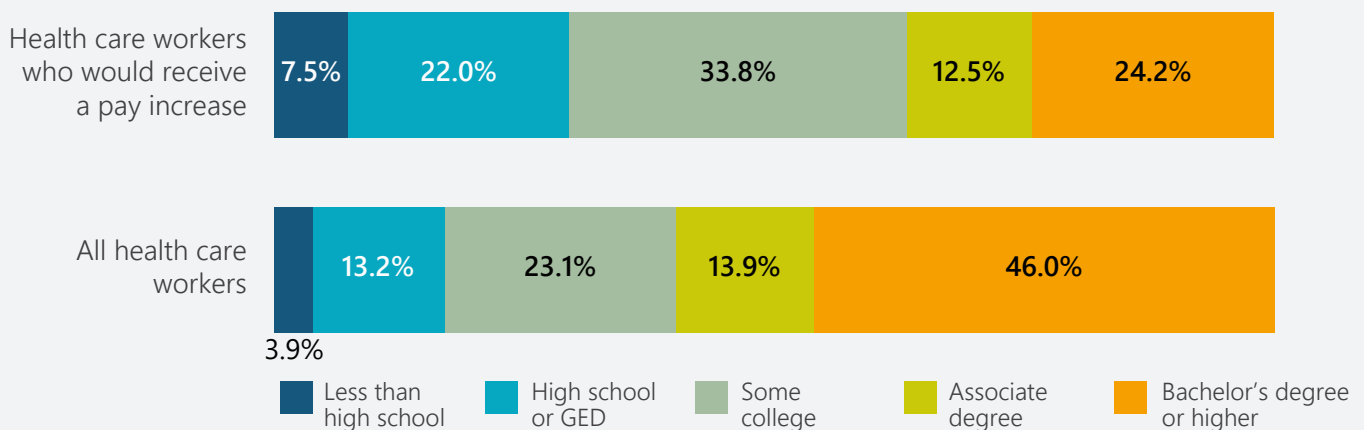


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Education

Most affected workers (70.5%) have education attainment beyond high school, reflecting the training requirements in the industry.

Exhibit 6. Education attainment of health care workers affected by a \$25 minimum wage

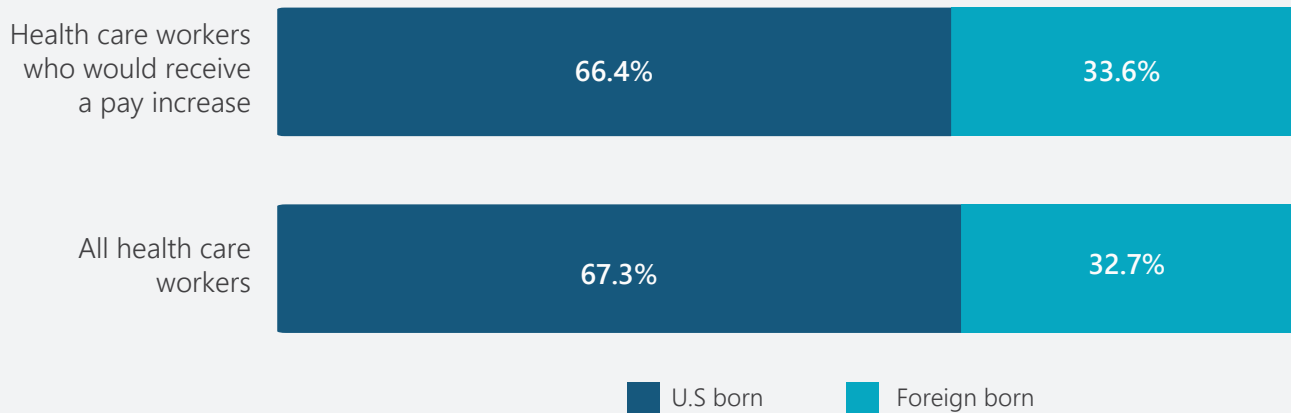


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Nativity

The majority (66.4%) of affected workers are U.S. born, but one third (33.6%) are foreign born. These are roughly the same shares as for all health care workers.

Exhibit 7. U.S. or foreign-born status of health care workers affected by a \$25 minimum wage

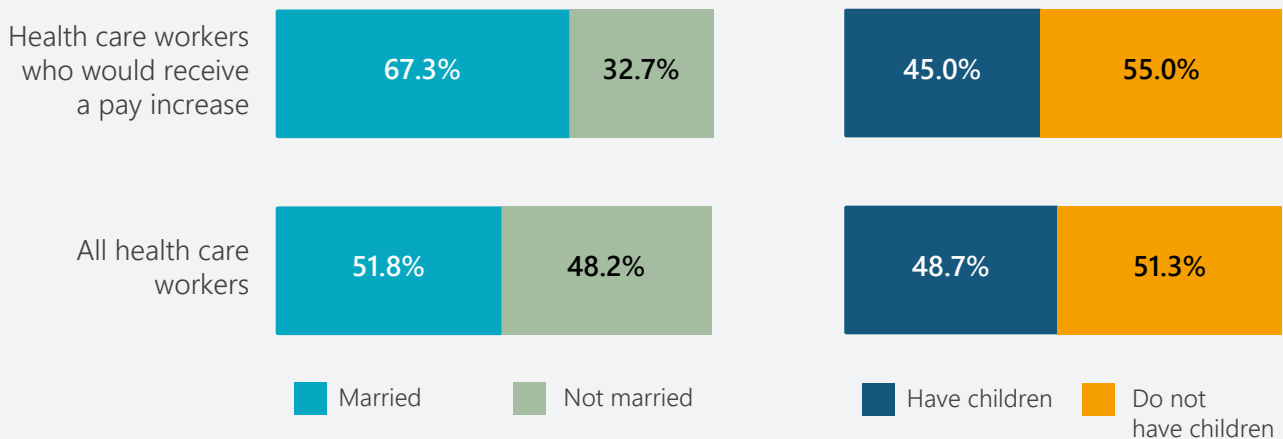


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Family status

Two out of three (67.3%) affected workers are married, higher than the share of all health care workers with a spouse (51.8%). In addition, almost half (45.0%) of the affected workers have children.

Exhibit 8. Family status of health care workers affected by a \$25 minimum wage

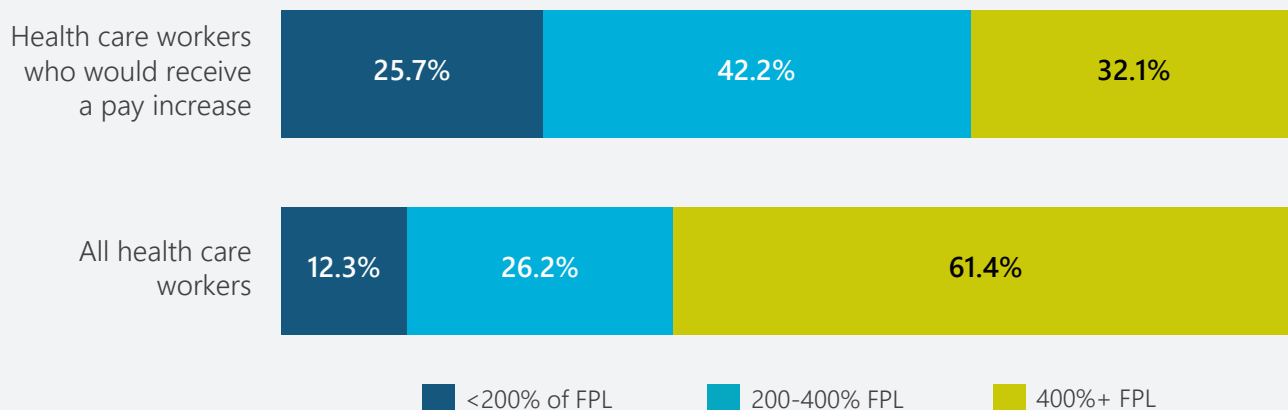


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Poverty status

Affected workers are twice as likely as health care workers as a whole to be in families with incomes below 200% of the federal poverty level (FPL; 25.7% v. 12.3%), and twice as likely to be in households below 400% of the FPL (67.9% v. 38.5%). One out of four affected workers have family incomes lower than 200% of the FPL, and two thirds of affected workers are under 400% of the FPL.²⁸

Exhibit 9. Family income as a share of poverty level for health care workers affected by a \$25 minimum wage



Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Income

Affected workers are principal providers for their families. On average, they contribute 58.2% to their family income.

Affected workers have significantly lower income compared to all health care workers. The median income of affected workers is less than 60% of the median income of all health care workers (\$34,002 compared to \$58,821, in 2022 dollars).

Exhibit 10. Average worker share of family income of health care workers affected by a \$25 minimum wage

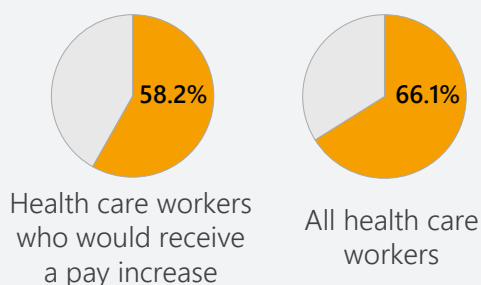
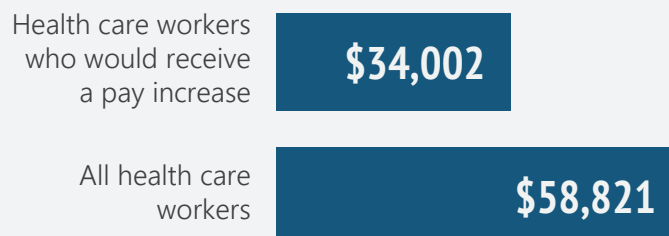


Exhibit 11. Median individual annual earnings of health care workers affected by a \$25 minimum wage (2022 dollars)

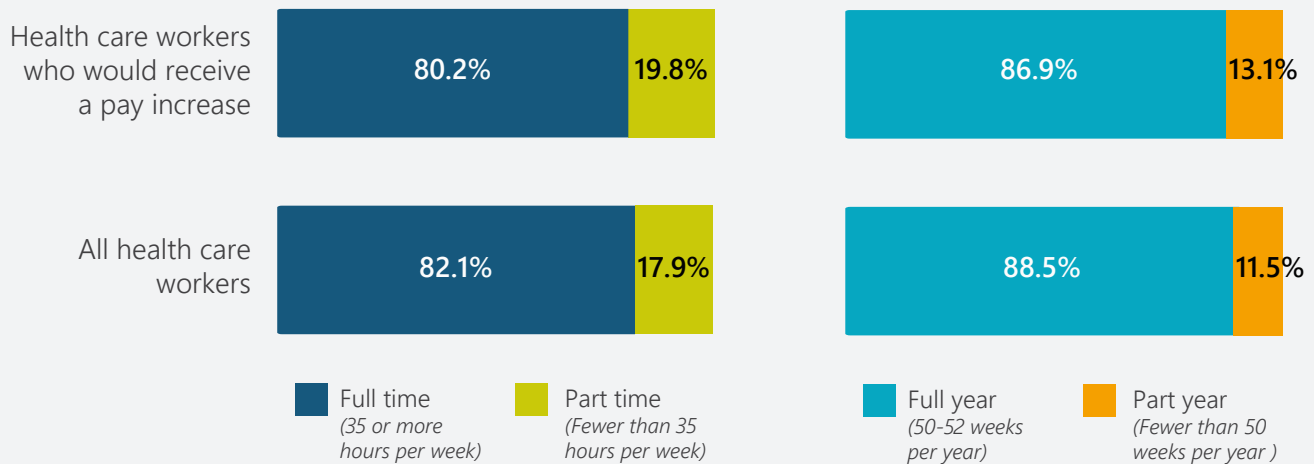


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Employment status

Eight out of ten (80.2%) affected workers work full time, and 86.9% work full year. These numbers are very close to those for all workers.

Exhibit 12. Employment status of health care workers affected by a \$25 minimum wage

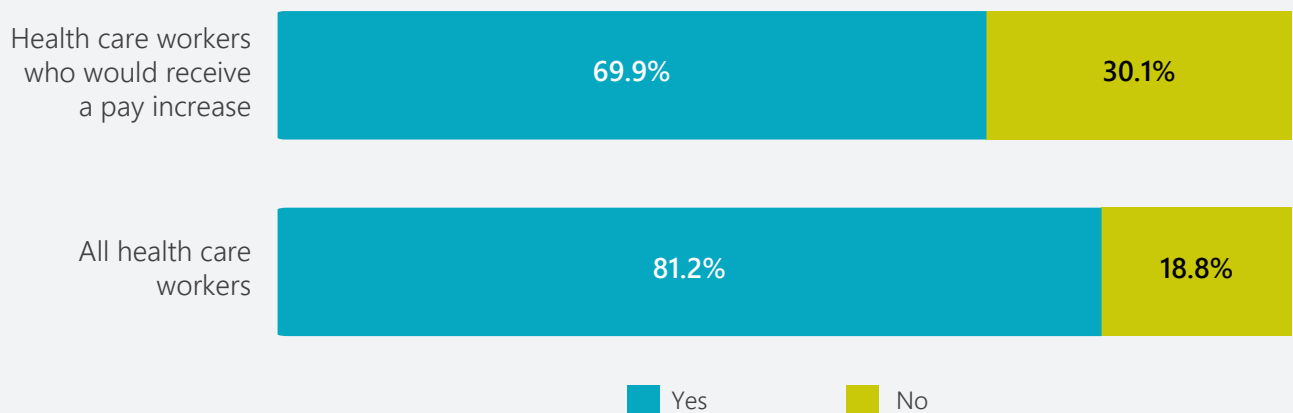


Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Health insurance coverage

Affected workers are less likely to have access to health insurance through their employer. Three out of ten affected workers (30.1%) do not have employer-provided health insurance, more than one and a half times the share for all health care workers (18.8%).

Exhibit 13. Employer-provided health insurance status of health care workers affected by a \$25 minimum wage



Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

Impact on health care facilities

In this section we analyze the impact on payroll costs and operating costs in the various health care facilities covered by SB 525.

Payroll increases by type of health care facility

Exhibit 14 shows the percentage change in payroll costs for each type of the covered health care facilities resulting from the health care minimum wage rising to \$25 per hour.²⁹ On average, health care facilities' payroll costs are projected to increase by 8% under the higher wage standard. The size of the increase varies significantly by type of facility.

The facilities experiencing the largest percentage change in payroll costs are home health services and skilled nursing facilities, with increases in payroll costs of 17.9% and 14.1%, respectively. The rest of the covered health care facilities will see single-digit increases in payroll costs as a result of SB 525. Hospitals will experience the lowest percentage change in payroll costs (2.9%). Given the outsized increases in payroll costs for home health services and skilled nursing facilities, the median percentage change in payroll costs of 6% provides a better indication of overall change in payroll costs for the industry.

Exhibit 14. Estimated net changes in operating costs from a minimum wage increase to \$25 for health care workers, by facility type

	Office of physicians	Outpatient clinics	Home health services	Hospitals	Psychiatric hospitals	Skilled nursing facilities	Medical labs	Mean	Median
% change in payroll costs	5.2%	6.1%	17.9%	2.9%	3.7%	14.1%	6.0%	8.0%	6.0%
Share of earnings increase reduced by lower turnover	12.8%	16.9%	12.0%	5.4%	11.6%	16.6%	9.7%	12.1%	12.0%

Source: Labor Center analysis of the U.S. Census Bureau's 2020 5-year American Community Survey

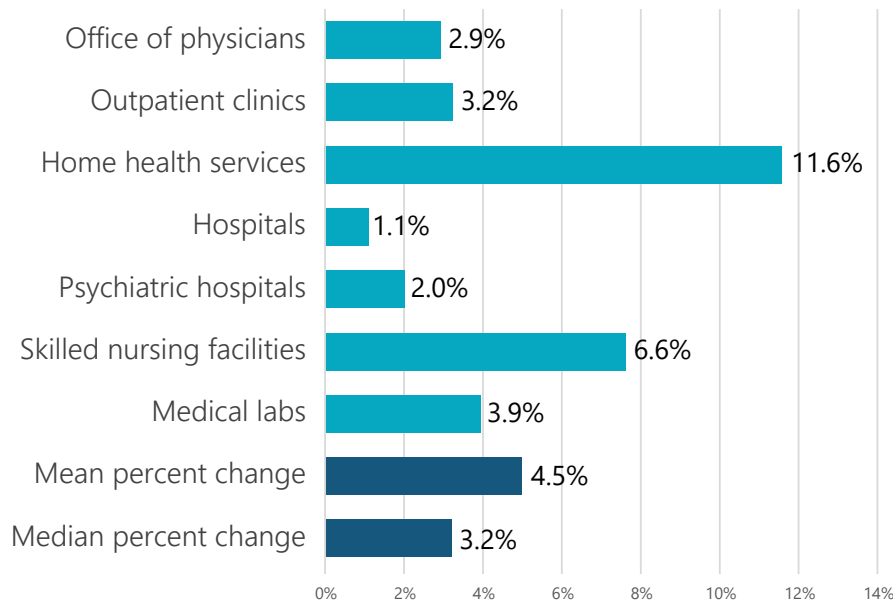
Changes in operating costs

The ways in which an increase in the health care minimum wage impacts a facility's operating costs is influenced by several factors, including the proportion of workers who receive a pay raise, the average magnitude of the raise, and the portion of labor costs relative to overall operating expenses. Exhibit 15 shows the percentage change in operating costs for the different types of health care facilities covered by SB 525.

Similar to the change in payroll costs, home health services facilities will have the highest increase in operating costs (11.6%). This is the result of having the largest proportion of workers receiving a pay raise (73.4%, see exhibit 1), the highest average wage increase per affected worker (\$7.15, see exhibit 1), and having the largest portion of labor costs as a percent of operating expenses (65%).³⁰

All other health care facilities have single-digit increases in operating costs. Hospitals will see the smallest percentage increase in operating costs at 1.1%. On average, we estimate operating costs will increase by 4.5%. The median percentage change in operating costs for all health care facilities is 3.2%.

Exhibit 15. Percent change in operating costs for health care industries covered under SB 525



Source: Labor Center analysis of the 2020 5-year American Community Survey, California Department of Health Care Access and Information, and the U.S. Census Bureau's 2021 Service Annual Survey

Our estimates of operating costs take into account cost savings that will result from reductions in turnover as a result of the higher minimum wage. They do not include the additional savings from increased productivity or reductions in hospitalizations due to improvements in care quality.³¹

The next section explains the relationship between higher wages and industry turnover, and how this relationship affects operating costs.

Effects on employee turnover

As mentioned earlier in this report, the health care industry is characterized by high turnover. For example, home health services has a turnover rate of 64% and for skilled nursing facilities the rate is 46%.³²

High turnover rates not only negatively affect quality of care, but they also have financial costs for businesses. According to a report by the Society for Human Resource Management, the average cost-per-hire for companies is \$4,700, with an average of 42 days to fill a position.³³ A 2012 study

estimated the cost to replace a worker at 16% of annual earnings for workers earning under \$30,000.³⁴ Thus, high turnover can lead to significant recruitment costs, as well as to other costs such as lost productivity, training costs, and loss of institutional knowledge.³⁵

Studies show that increasing wages improves staff turnover and retention in low-wage jobs, including those in the health care industry. Each 10% increase in the state or local minimum wage decreases turnover among low-wage workers in nursing homes by 2.4%, while a similar increase in sector-specific wages can decrease turnover by up to 14.5%.³⁶

Research also shows that some of the operating cost increases from a higher minimum wage are offset by reductions in turnover.³⁷ We estimate that on average 12.1% of the higher payroll costs from SB 525 will be offset by lower turnover costs (see exhibit 14).³⁸ The health care facilities with higher turnover rates will be able to offset more of these costs. For example, skilled nursing facilities have double the turnover rate of hospitals, and thus will be able to reduce a larger share of operating costs from turnover savings (16.6%) than hospitals (5.4%).

Effects on quality of care

Increasing wages for health care workers not only benefits workers and employers, but also patients. A well-established research literature finds a strong relationship between turnover, pay, and quality of care.

There is an extensive body of research that establishes a correlation between higher wages and lower turnover across industries.³⁹ In health care, a \$1 increase in the wages of certified nursing assistants is associated with 2.1 additional months of tenure and 1.5 additional months for those who have been on the jobs the longest.⁴⁰ Other research has found a \$1 increase in wages leads to a 1.8% decrease in turnover of certified nursing assistants.⁴¹

In turn, reducing turnover in these health care occupations can significantly improve quality of care. One study found that in nursing homes with high turnover among certified nursing assistants, the patients had significantly higher likelihood of pain and urinary tract infections, and twice the likelihood of pressure ulcers.⁴² Other research found that a 10% increase in nurse turnover at nursing homes increases deficiency violations by 19.3% and increases mortality rates by between 9.4 and 17.4%.⁴³ Another study found that a 10% increase in the minimum wage significantly improves key quality of care indicators in nursing homes, reducing the number of quality of care health inspection violations by 7.4%, the use of restraints on patients by 3.3%, and age-adjusted patient mortality rates by 3.1%.⁴⁴

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Turnover has been a real issue at my facility. At present, we have only two regular and three reliever CNAs, because it's so hard to hire and keep new people.

Most of us have 19-24 patients. I think raising the minimum wage to \$25 would make a real difference in the care we are able to provide to our patients because more people would want to take a job here. I have co-workers who have been at my facility for 20, even 42 years, and they still don't make that much.

—Ethel Naldoza, CNA, San Pablo Healthcare and Wellness Center, San Pablo, CA

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Conclusion

The proposal to increase the minimum wage for California's health care workers to \$25 by 2024 will impact workers, businesses, and patients.

The proposed wage increase would result in substantial benefits to health care workers and their families, in particular low-wage health care workers. We estimate that 469,100 workers will get a wage increase under the policy. On average, affected workers will get a 31% increase in pay.

A demographic analysis of affected workers reveals most are women and workers of color. They are typically the main providers for their families, but make substantially less income than all other health care workers. As a result, these workers are more likely to have families with incomes below 200% of the federal poverty level.

A \$25 minimum wage for health care workers will increase health facility operating costs by about 3%. This is equal to a 1.3% increase in personal health spending in the state.⁴⁵ Operating cost increases are lower than payroll cost increases, due to the cost savings associated with lower turnover. In addition to these cost savings from retaining workers, businesses will also benefit from higher productivity, lower training costs, and retention of valuable institutional knowledge. There will be additional savings from resulting reductions in patient utilization of health services, such as hospitalizations.

A \$25 health care minimum wage will also confer benefits to patients through improvements in quality of care. Research shows that higher wages directly affect patient outcomes. And by improving morale and job satisfaction for health care workers, higher wages also indirectly lead to improvements in the overall care experience for patients.

In sum, a \$25 minimum wage for health care workers has the potential to substantially improve conditions for low-wage health care workers that provide essential services to the state.

Appendix: Methodology

Affected Workers

We used data from the American Community Survey (ACS) 2016-2020 5-year sample to estimate the proportion of health care workers who would be earning less than \$25 an hour in 2024 in each of the health care facilities covered by SB 525, and to estimate the demographic characteristics of these workers.

The ACS sample is restricted to workers 18-64 years old, who work in California, with non-zero earnings in the past year, who were not self-employed or unpaid family workers, and who were at work last week or had a job but were not at work last week. The ACS does not include an hourly earnings measure; we therefore follow standard practice and construct the hourly wage measure by dividing the worker's annual earnings by the product of usual hours worked per week and weeks worked last year. The ACS annual earnings variable includes wages, salary, commissions, and cash bonuses or tips from all jobs, before tax deductions. We trimmed hourly wage outliers by dropping wages less than \$0.50 or greater than \$100 in 1989 dollars.⁴⁶ We brought wages up to 2023 dollars using the BLS employer and cost index for healthcare and social assistance,⁴⁷ and then brought wages to 2024 dollars using the 2023 forecast of the Consumer Price Index for Urban Wage Earners and Clerical Workers for California.⁴⁸

We refer to workers making under \$25 an hour at these covered facilities on January 1, 2024, as directly affected workers. We calculate the wage increase to these workers as the difference between \$25 and their hourly wage on January 1, 2024.

We also estimate the proportion of workers at covered health care facilities who would receive small wage increases (spillover effects), even though they are earning at or slightly above the new \$25 minimum wage. These workers are referred to as indirectly affected workers. Following Cengiz et al (2019), we cap spillover effects at workers making \$3 above the new \$25 minimum wage (i.e., \$28 an hour).⁴⁹ Indirectly affected workers receive a quarter of the difference between their current wage and \$28.⁵⁰

To obtain the total number of affected workers (directly affected workers plus indirectly affected workers), we applied the estimated proportions from the ACS to data from the 2021 California Quarterly Census of Employment and Wages (QCEW),⁵¹ for the health care facilities covered by SB525.

Industry Costs

To estimate the impact of SB 525 on the costs of health care facilities covered by SB 525, we first estimate the percentage change in wages for each type of facility, using our earlier analysis of the ACS. We then determine the percentage change in payroll costs associated with these wage changes. These calculations adjust payroll costs for reductions in turnover as a result of the higher pay received by workers, following the methodology in Jacobs and Graham Squire (2010).⁵²

Next, to estimate the impact of these payroll changes on operating costs, we first determine labor's share of operating costs for each type of facility. For hospitals (both general and specialty, and psychiatric) and skilled nursing facilities, we use financial disclosure reports from the California Department of Health Care Access and Information.⁵³ For all other facilities, we use data from the US Census Bureau's 2021 Service Annual Survey.⁵⁴ Finally, to estimate the percentage change in operating costs, we multiply the percentage change in payroll costs by the labor's share of operating costs for each type of facility.

Endnotes

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