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A Supply and Demand Perspective on the Workforce Crisis in Intellectual Disability

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Abstract

The contemporary Direct Support Professional workforce crisis in the intellectual disability industry was examined from a supply and demand perspective. It was suggested that because provider agencies have little control over the prices they receive for the services they provide, they are unable to create an equilibrium between the demand for and supply of Direct Support Professionals. Fixed governmental prices were suggested as a root cause of the crisis.

Introduction

A confluence of factors has created an increased demand for Direct Support Professionals in the intellectual disability industry. People with intellectual disability are now living longer (Dolan, Lane, Hillis, & Delanty, 2019), and in turn, needing supports for longer periods of time. The number of people with intellectual disability now being supported in residential settings has increased from 259,909 in 1980 to 680,851 in 2015, an increase of approximately 162% (Lulinski, Jorwic, Tanis, & Braddock, 2018). The dominant out of home residential model, the three-person group home (Conroy, 2017), is more labor intensive than the older congregate care models. In addition to these factors embedded within the intellectual disability system, we must recognize that the baby-boomer generation has now entered that period of life in which supports are increasingly needed. These factors all combine to create an increased demand for individuals who will support and work with individuals who have intellectual disability and/or other challenges.

The supply of Direct Support Professionals has not kept up with the demand. While there is no definitive count of the number of individuals employed as Direct Support Professionals, the demand for such employees can be reasonably estimated from the number of open (vacant) Direct Support Professional positions. Hewitt, Larson, & Lakin (2000) reported that 8.2% of all Direct Support Positions were vacant, a finding that was largely supported by an ANCOR (2001) survey that reported a 10.8% vacancy rate. More recently, a National Core Indicators (2018) survey found an 11.2% Direct Support Professional vacancy rate. Spreat (2021) reported a longitudinal study of Direct Support Professional vacancies in Pennsylvania. A jump from 11.9% in 2017 to 20.4% in 2018 was noted. This increased rate of vacancies was maintained in the 2019 survey in which a 19.4% vacancy rate was found. Not only does the challenge of recruiting and retaining a Direct Support Professional workforce seem to be a long-term problem (Hewitt, 2013), the problem seems to be worsening over time.

John Locke (1691) offered one of the earliest descriptions of the concept of supply and demand, with Adam Smith (1776) offering a more detailed discussion of what he called the “invisible hand” that controls the economy. As illustrated in the figure below, when the demand for a product or service exceeds supply, the price of that service or product will increase. Price is generally the factor that functions to establish an equilibrium between supply and demand (Marshall, 1890; Pettenger, 2017). If the available supply of a product or service exceeds demand, price will decrease. With regard to the Direct Support Professional workforce crisis, it would be reasonable to suggest that an increase in wages (i.e., price) will likely result in a collateral increase in the supply of people seeking employment as Direct Support Professionals. Economic theory suggests that better pay for Direct Support Professionals would significantly decrease the magnitude of the workforce crisis. The magnitude of the pay needed to achieve this equilibrium, however, would be an empirical question.

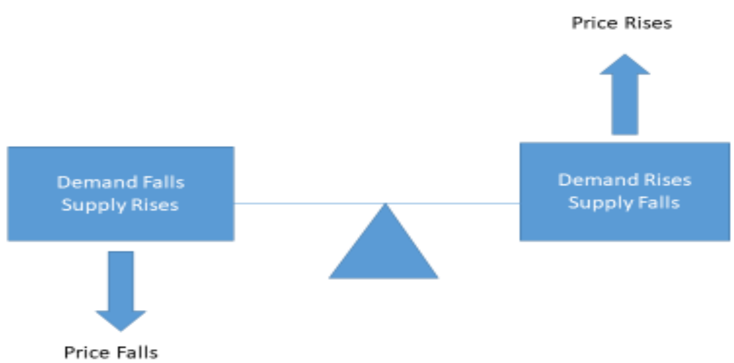

Figure 1. Illustration of the relationship between supply, demand, & price.

It must be recognized that private provider agencies are in no way limited as to the amount they pay Direct Support Professionals. No governmental authority has mandated a specific hourly wage for Direct Support Professionals. Instead, various governmental authorities place limits on what they will pay the private providers for delivering supports and services to people with intellectual disability. This process of setting rates for services and supports effectively constrains the provider agencies from achieving an equilibrium between supply of Direct Support Professionals and demand for Direct Support Professionals by adjusting the wages paid to these individuals. Arguably, the use of fixed-rates is at least a contributing factor to the workforce crisis.

A pattern of systematic underfunding of social services (Harvey & Tropman, 2010) has eliminated any flexibility provider-agencies may have in establishing enhanced payment models for Direct Support Professionals. Note that approximately 1/3 of providers have expenses that exceed revenue each year (Spreat, 2019), and that agencies tend to have operating margins of between 1.0% and 1.5%. It has been suggested that a fiscally health non-profit will have an operating margin between 3% and 5% (Higher Education Funding Council for England, 2018; Harrison & Montalvo,2002). Note that intellectual disability providers typically spend between 75% and 85% of their entire budgets on staffing costs. This leaves little room for budget adjustments to entice new staff or to more fairly compensate existing staff. It is clear that under current conditions, providers are unable to pay a wage sufficient to create an equilibrium between supply and demand for Direct Support Professionals.

Pettenger (2017) has suggested that constrained, or fixed, prices will ultimately lead to shortages. In the intellectual disability field, we observe both staffing shortages and program shortages in the form of substantial waiting lists for service. When a price of providing supports and services is artificially constrained, as when the government sets the rates (i.e., fixes the price) it will pay for intellectual disability services, the marketplace is challenged to establish an equilibrium between supply and demand (Armentano, 1967; Rockoff, undated). Armentano (1967) noted that almost every piece of governmental price fixing legislation produced results opposite of those intended. Within the intellectual disability field, staff shortages, waiting lists for services, and selection of program offerings based on rate paid rather than consumer need are all evident.

The price of a service or product is supposed to be the result of some sort of negotiation between buyer and seller (Pettenger, 2017), but providers are not really involved in any sort of meaningful negotiation. It would seem that providers of social services (the sellers) have abdicated their responsibility to protect the financial health of their industry. They have allowed purchasers (i.e., the government or managed care entities) to have complete control over prices. One might argue that the government has essentially co-opted private providers as parts of the government itself. Even when these fixed prices don’t fully cover the cost of providing services, sellers typically accept partial payments, hoping to fund the services and products in some other manner. These other manners might include alternative fund raising, using funds from better paying purchasers to subsidize the poorer paying purchasers and most notably, undercompensating Direct Support Professionals to the point of creating a workforce crisis.

The closures of state developmental centers were largely based on human rights issues, but it was also sold on the argument that providing services in community homes operated by private providers would be less expensive. Conroy and Bradley (1985) demonstrated that community living offered better quality living at a slightly reduced price in comparison to congregate care models. It appears, however, that the funding levels provided early in the deinstitutionalization movement have not been maintained. Walker (2015) presented data on funding for intellectual disability community services in Pennsylvania. She reported that over a 22-year time period, the general fund Pennsylvania budget increase linearly by about 90%. The increase for intellectual disability community services over that same time period was only 23%.

Taylor (2008) noted that it appeared that the savings in community programs were achieved largely at the expense of the Direct Support Professionals. Numerous studies (Spreat, 2021) have reported that Direct Support Professionals working for private community-based provider agencies tend to make 2/3 to ¾ of the wages paid to Direct Support Professionals working for state developmental centers, and their overall benefit package was notably weaker. Taylor suggested unionization as a possible strategy to resolve the inadequate compensation levels of direct support professionals, but as long as provider agencies have no control over their pricing, unionization will do little more than take dues out of employee paychecks, perhaps worsening the situation.

The seller must be brought back into the price setting equation. Ideally, the seller should set the price, and the buyer should negotiate towards a more favorable price. Assuming the absence of illegal price collaboration among sellers, a price will be reached that enables the sellers to provide a product without resorting to shortchanging its employees or reducing the quality of services. The best protection for a consumer with intellectual disability is a healthy service provider community, and this cannot happen without participation of the providers in the price negotiation process.

It is perhaps tempting to argue that because social service agencies operate on government funds, they must be subjected to the highest levels of control. But one must also remember that the construction companies that build bridges and highways for the government also operate on government funds. These for-profit companies, however, have the opportunity to participate in the price setting activity because they typically respond to Requests for Proposals (RFPs) in which they set forth the price for which they would be willing to do the job. The bottom line is that it is all government money, and there is no justifiable reason that a higher degree of controls must be placed on the non-profits that work in social services.

Let us recognize that fixing prices is often the only strategy available to the executive branches of government charged with securing services/supports for individuals who have intellectual disability. They have been systematically underfunded by their legislatures for years. The enemy is not the executive branch; it is charged with maximizing outcomes with whatever dollars are allocated, and price fixing is perhaps a reasonable, albeit desperate alternative. It is evident that intellectual disability advocates have failed in making legislatures accountable to the “most vulnerable” members of our society. Perhaps the resolution to the workforce crisis will come from making it in the best interest of legislators to solve this problem. Best interest can come both from increased political pressure and from campaign contributions the political action committees.

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