

CHEAP IS NOT ALWAYS LESS EXPENSIVE: CONSIDERATIONS IN HIRING CAREGIVERS

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People are living longer than ever and they want to stay in their own home. With advanced age comes the unfortunate reality of physical and cognitive decline. Paid caregivers are the solution for many seniors who wish to remain in their homes.

In California, escalating payroll costs and the lack of any licensing requirements in non-medical homecare has led many individuals, as well as “under the radar” agencies, to hire and misclassify caregivers as independent contractors. This can decrease costs by 30-50%, but open the door for liabilities far exceeding this perceived savings.

The Social Security Domestic Employment Reform Act of 1994, often referred to as “Nanny Gate”, was passed in response to noncompliance with employers’ responsibilities. This act identifies employer obligations when hiring workers in the home, including the following:

- Employees have to be legally eligible to work in the U.S.
- Household employers must withhold Social Security taxes, pay a matching share of unemployment insurance, pay worker’s compensation, withhold state income tax when wages exceed \$1,000, and report and pay withholding and payroll taxes on their personal income tax return.
- Household employers must provide employees with W-2 forms each year documenting wages and file copies with the Social Security Administration and state and local tax authorities,
- There is no obligation to report and withhold taxes for workers under 18 unless household service is the individual’s only employment. However, if a minor is employed on a regular basis to provide eldercare or cleaning, then reporting is required.

Classifying caregiver employees as independent contractors may subject the individual to unwanted scrutiny from the IRS, the Department of Labor, the State Franchise Tax Board, Unemployment Insurance and Worker’s Compensation Board, even if an employee requests to be paid cash or as an independent contractor. When hiring independently, it is imperative that you contact your accountant and insurance agent to assure you have met your employer obligations and have adequate protection.

When hiring in-home caregivers, the supervision, monitoring and oversight provided to these caregivers can make the difference between a successful and a disappointing experience. Screening and interviewing the caregivers, matching for skills, and assuring someone is available to respond to emergencies are of vital importance. When family members are overwhelmed or lack the time or objectivity to oversee these tasks, an option may be to hire a professional geriatric care manager. This growing breed of professionals is trained to assess, plan and oversee the needs of the aging, including the supervision of in-home caregivers. The National Association of Professional Geriatric Care Managers (www.caremanager.org) can assist in locating a qualified professional.

Hiring in-home employees should be approached with the care and thorough understanding that should be part of any employee/employer relationship.

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