

Health Sector Economic IndicatorsSM

Insights from Monthly Employment Data Through October 2016

November 11, 2016

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LABOR BRIEF

Health sector is still hiring, but pace is gradually slowing from mid-2015 peak

HIGHLIGHTS

- ▲ Health care added 30,500 new jobs in October (Exhibit 1), a bit less than the 12-month average of 34,600 jobs, but consistent with the average pace seen in Q3 2016.
- ▲ Revisions to July and August lowered health jobs by 11,000.
- ▲ By several metrics, including a measure of momentum based on a 3-month moving average, health job growth peaked in mid-2015 and has been slowing gradually through 2016.
- ▲ The source of these estimates, the monthly “establishment” survey, showed another solid month of overall job growth; 161,000 new jobs in October and upward revisions of 44,000 to August and September.
- ▲ The companion monthly “household” survey showed the unemployment rate down slightly to 4.9% and a 2.8% rise in average hourly earnings over the year, the highest gain in wages since the recovery began in 2009.
- ▲ Health jobs grew 2.7% year over year, down slightly from rates above 3% seen in mid-2015 through mid-2016, but higher than non-health jobs at 1.5% (Exhibit 7), putting the health share of total employment at its all-time high of 10.8% (Exhibit 8).

Cyclical Employment Big Picture

Seasonally Adjusted	Dec 2007	Jun 2009	Oct 2015	Oct 2016
Total Employment (000s)	138,413	131,020	142,595	144,952
Nonhealth Employment (000s)	125,310	117,486	127,362	129,304
Health Care Employment (000s)	13,103	13,534	15,233	15,648
Health Share of Total Employment	9.47%	10.33%	10.68%	10.80%
Unemployment Rate	5.0%	9.5%	5.0%	4.9%

The recession officially began in December 2007 and ended in June 2009. Total employment excludes farm work. Health care employment is private only.

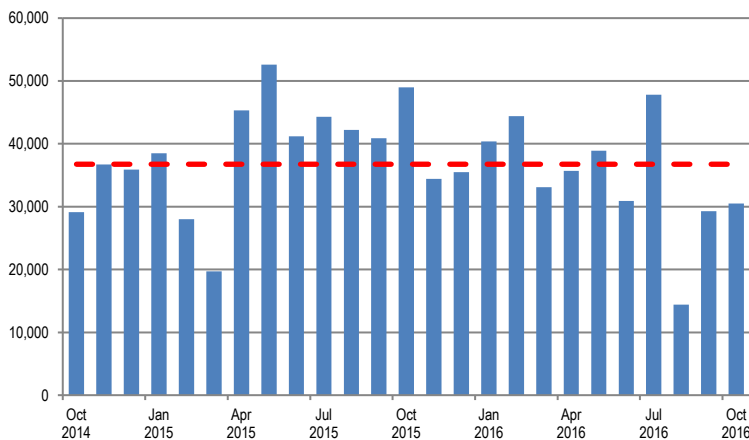
Source: Altarum Institute analysis of Bureau of Labor Statistics (BLS) data.

HEALTH CARE EMPLOYMENT

In October 2016, private-sector health care employment showed a gain of 30,500 jobs (Exhibit 1), according to the Bureau of Labor Statistics (BLS) Employment Situation report released on November 4, 2016. Hospitals gained 12,700 jobs, while ambulatory care settings added 18,500 jobs and nursing and residential care lost 700 jobs in October. The health share of total employment is at an all-time high of 10.80% (Exhibit 8).

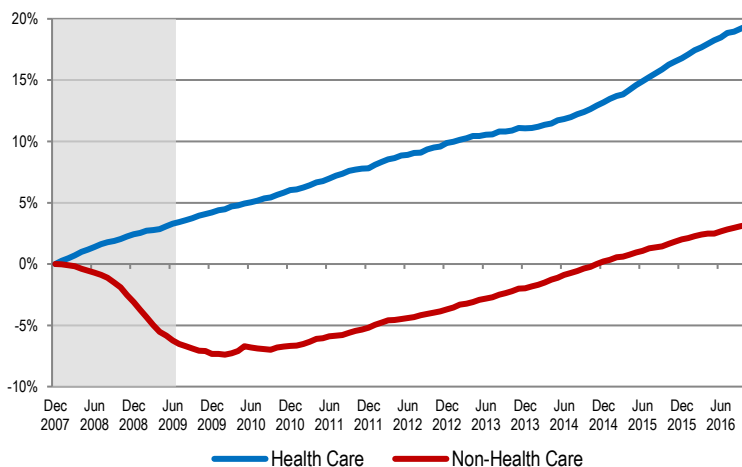
Over the last 12 months, total private-sector health care employment grew by 415,000 jobs or 2.7%. During this period, total non-health payroll employment increased by 1.9 million jobs or 1.5% (Exhibit 6). Since the start of the recession in December 2007, the health sector has added 2.5 million jobs for a cumulative gain of 19%, while non-health employment has grown by 4 million jobs for a cumulative gain of 3% (Exhibit 2).

Exhibit 1. Month-over-Month Change in Total Health Care Employment, Seasonally Adjusted, October 2014–October 2016



Source: Altarum analysis of BLS data.

Exhibit 2. Health and Non-health Employment: Cumulative Percentage Change Since December 2007



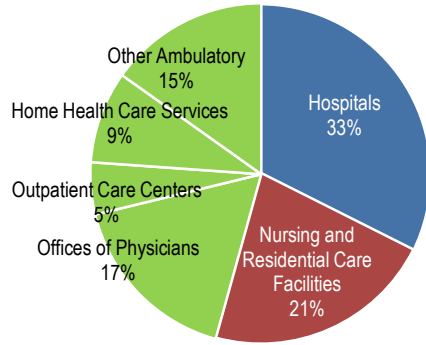
Source: Altarum analysis of BLS data.
Note: Shading indicates the recession period.

HEALTH CARE JOBS BY CATEGORY

In October 2016, the following occurred:

- ▲ Hospitals gained 12,700 jobs, consistent with the 12-month average of 12,000.
- ▲ Ambulatory health care services added 18,500 jobs, slightly less than the 12-month average of 20,900. These services include the following:
 - Offices of physicians gained 3,500 jobs (12-month average: 5,800).
 - Outpatient care centers gained 4,200 jobs (12-month average: 3,400).
 - Home health care gained 4,000 jobs (12-month average: 4,800).
 - Other ambulatory services, which include offices of dentists, chiropractors, other health care practitioners, and labs, gained 6,800 jobs (12-month average: 6,900).
- ▲ Nursing and residential care facilities lost 700 jobs (12-month average: loss of 200).
- ▲ Ambulatory services accounted for 46% of health care employment, hospitals accounted for another 33%, and nursing and residential care facilities accounted for the remaining 21% (Exhibit 3).

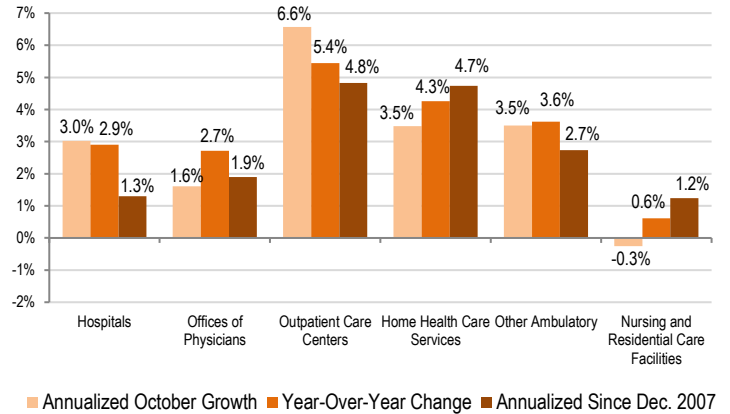
Exhibit 3. Health Care Employment by Setting, October 2016



Source: Altarum analysis of BLS data.
 Note: "Other Ambulatory" includes offices of dentists, chiropractors, optometrists, and other specialists as well as medical and diagnostic labs.

Over the past 12 months, outpatient care centers grew at the fastest rate, 5.4%, adding 41,000 jobs. Home health care gained 57,400 jobs for a growth rate of 4.3%. Offices of physicians added 69,500 jobs for a growth rate of 2.7%. Other ambulatory care settings gained 83,000 jobs for a growth rate of 3.6%. Hospital jobs grew 2.9% over the past 12 months, adding 144,200 jobs. Finally, nursing and residential care added 20,200 jobs for a growth rate of 0.6% (Exhibit 4).

Exhibit 4. Growth in Health Care Employment by Selected Setting



Source: Altarum analysis of BLS data.

DISCUSSION

With another 31,000 new jobs in October, the health sector enters Q4 2016 with a level of growth consistent with Q3 2016. While this is a solid gain, and nearly one-fifth of the total jobs added economy-wide in October, several metrics indicate that health care hiring peaked in mid-2015 and has gradually begun to slow through 2016. From a high of 129,000 health care jobs added in Q2 2015, slightly fewer jobs have been added each quarter through Q3 2016, when 92,000 jobs were added. Similarly, a measure of momentum based on a 3-month moving average peaked in August 2015 at reading of 3.7%, and has fallen to 2.2% this month, the lowest point for this measure in two years.

While hiring in all health care settings is slowing, the pattern is particularly evident in hospitals. Hospital job growth peaked in Q3 2015 at 60,000 new jobs, and has declined to 26,000 new jobs in Q3 2016. Our measure of hospital job growth momentum peaked in October 2015 at 4.6% and is now down to 2.2%.

The overall job market continues to improve. At 161,000 new jobs in October and an average of 181,000 per month in 2016, job gains remain above the [50,000 to 110,000 jobs per month analysts estimate](#) are needed to maintain a stable unemployment rate. The best news this month was an uptick in wage growth. Average hourly wages grew 2.8% over the year, the fastest rate since the start of the economic recovery in June 2009, providing some long-awaited evidence of a tightening labor market.

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The Center for Sustainable Health Spending (CSHS) was launched in 2011 to lead Altarum’s research on the cost growth trends and key drivers of U.S. health spending and to formulate policy strategies to help bend the cost growth curve.

The *Health Sector Economic Indicators*SM reports are a monthly publication of Altarum’s CSHS and provide an analysis of health spending, employment, and prices. For more information, contact **Charles Roehrig, PhD**, at 734-302-4600 or charles.roehrig@altarum.org. Ani Turner (principal author), Paul Hughes-Cromwick, George Miller, PhD, and Matt Daly, PhD, contributed to this brief. Media Contact: Ken Schwartz, 202-772-5062, ken.schwartz@altarum.org. For more information, visit <http://www.altarum.org/cshs>.

DETAILED HEALTH CARE EMPLOYMENT DATA

Exhibit 5. Employment Data by Sector, Seasonally Adjusted

Employment (in thousands)	October 2016	September 2016	October 2015	October 2014	December 2007
Non–Health Care	129,304	129,174	127,362	125,021	125,310
Health Care	15,648	15,617	15,233	14,758	13,103
Ambulatory Health Care Services	7,203	7,184	6,952	6,687	5,555
Offices of Physicians	2,630	2,626	2,560	2,472	2,228
Outpatient Care Centers	795	791	754	721	524
Home Health Care Services	1,404	1,400	1,347	1,278	933
Other Ambulatory	2,374	2,367	2,291	2,216	1,871
Hospitals	5,117	5,105	4,973	4,804	4,564
Nursing and Residential Care Facilities	3,328	3,329	3,308	3,267	2,984
Nursing Care Facilities	1,655	1,657	1,657	1,648	1,612
Other Nursing and Residential	1,673	1,672	1,651	1,619	1,372
Health Share of Employment	10.80%	10.79%	10.68%	10.56%	9.47%

Source: Altarum analysis of BLS data.

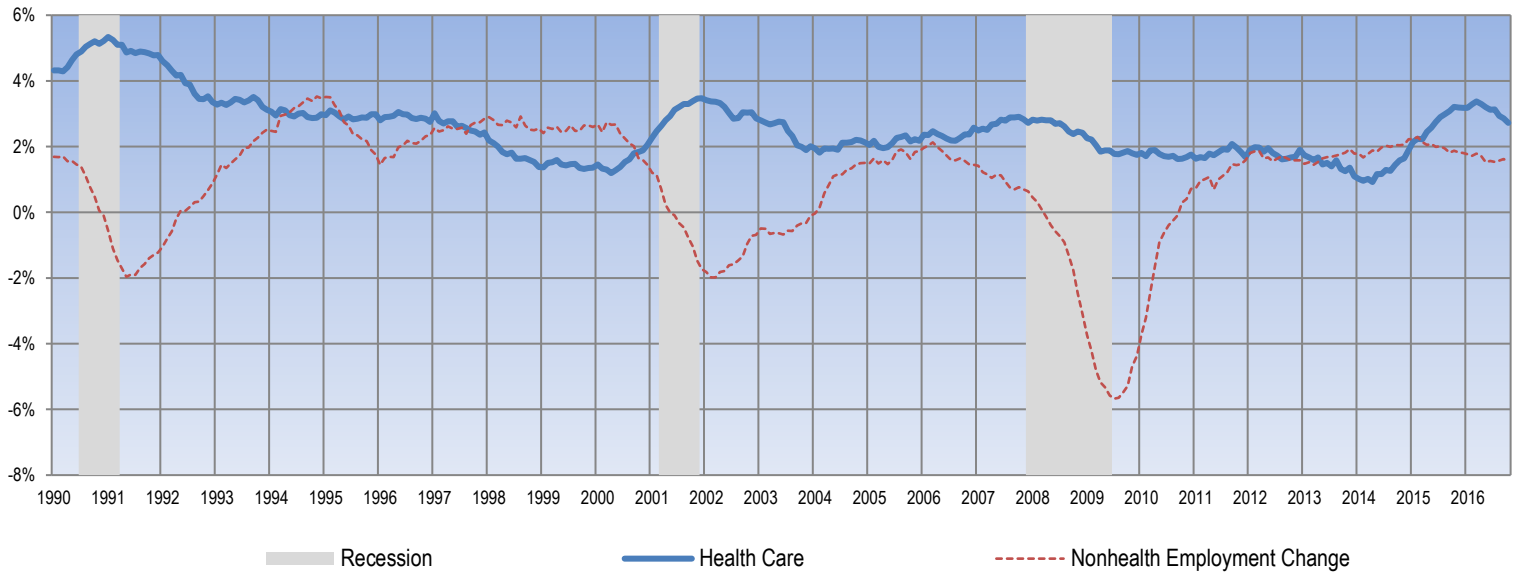
Exhibit 6. Change in Employment Data by Sector, Seasonally Adjusted

Employment Change (in thousands)	One Month	12 Months	24 Months	Since Dec. 2007
Non–Health Care	130.5	1,941.7	4,283.4	3,994.2
Health Care	30.5	415.3	889.6	2,544.8
Ambulatory Health Care Services	18.5	250.9	515.4	1,647.2
Offices of Physicians	3.5	69.5	157.6	401.8
Outpatient Care Centers	4.2	41.0	73.7	270.5
Home Health Care Services	4.0	57.4	126.2	471.4
Other Ambulatory	6.8	83.0	157.9	503.5
Hospitals	12.7	144.2	313.0	553.3
Nursing and Residential Care Facilities	-0.7	20.2	61.2	344.3
Nursing Care Facilities	-2.3	-2.1	6.6	43.4
Other Nursing and Residential	1.6	22.3	54.6	300.9
Annualized Percentage Change				
Non–Health Care	1.2%	1.5%	1.7%	0.4%
Health Care	2.4%	2.7%	3.0%	2.0%
Ambulatory Health Care Services	3.1%	3.6%	3.8%	3.0%
Offices of Physicians	1.6%	2.7%	3.1%	1.9%
Outpatient Care Centers	6.6%	5.4%	5.0%	4.8%
Home Health Care Services	3.5%	4.3%	4.8%	4.7%
Other Ambulatory	3.5%	3.6%	3.5%	2.7%
Hospitals	3.0%	2.9%	3.2%	1.3%
Nursing and Residential Care Facilities	-0.3%	0.6%	0.9%	1.2%
Nursing Care Facilities	-1.7%	-0.1%	0.2%	0.3%
Other Nursing and Residential	1.2%	1.4%	1.7%	2.3%

Source: Altarum analysis of BLS data.

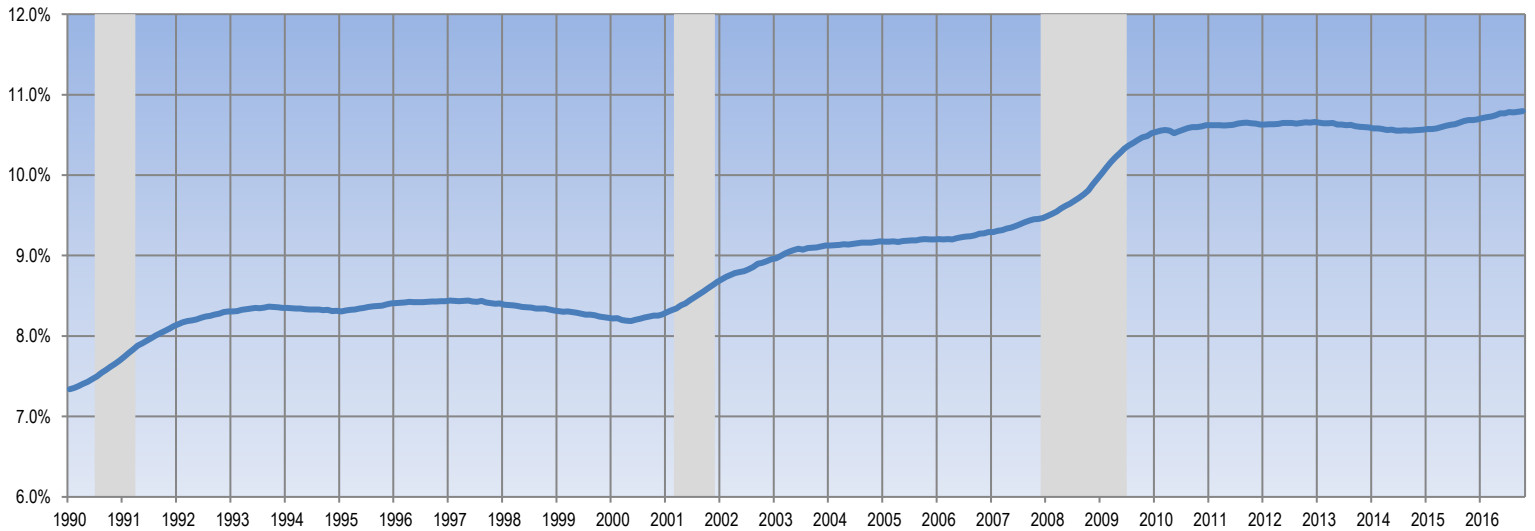
TIME SERIES TRACKER

Exhibit 7. Year-over-Year Percentage Change in Health and Nonhealth Employment



Source: Altarum analysis of BLS data.
 Note: Lightly shaded bars denote recession periods.

Exhibit 8. Health Care Sector Share of Total Employment



Source: Altarum analysis of BLS data.
 Note: Lightly shaded bars denote recession periods.