

Health Sector Economic IndicatorsSM

Insights from Monthly Employment Data Through January 2016

February 16, 2016

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LABOR BRIEF

Health sector kicks off 2016 with strong job growth, still driven by hospitals

HIGHLIGHTS

- ▲ The health sector added 36,800 new jobs in January (Exhibit 1), a quarter of all new nonfarm jobs.
- ▲ Nearly two-thirds of new health jobs in January were in hospitals, which added 23,700 jobs, twice as many as the 12,000 jobs added in December.
- ▲ Ambulatory care settings added a below-average 10,700 jobs due to flat growth in outpatient care centers and “other ambulatory” settings.
- ▲ Nursing and residential care settings gained 2,400 jobs in January.
- ▲ The source of these figures, the monthly “establishment” survey, showed total nonfarm jobs growing by 151,000 in January.
- ▲ Annual establishment survey benchmark revisions and updates to seasonal adjustments were minimal; estimates of total jobs as of the end of 2015 were lowered by 0.1%, and health jobs were lowered by 0.2%.
- ▲ The monthly “household” survey showed the unemployment rate dropping slightly to 4.9% (an 8-year low) and wage gains of 2.5% over the past year (exhibiting some welcome acceleration).
- ▲ Consistent with the pattern over the past few months, health jobs grew 3.2% year over year, while nonhealth jobs grew 1.7% (Exhibit 7), putting the health share of total employment at 10.71% (Exhibit 8).

Cyclical Employment Big Picture

Seasonally Adjusted	Dec 2007	Jun 2009	Jan 2015	Jan 2016
Total Employment (000s)	138,413	131,020	140,623	143,288
Nonhealth Employment (000s)	125,310	117,486	125,754	127,949
Health Care Employment (000s)	13,103	13,534	14,869	15,339
Health Share of Total Employment	9.47%	10.33%	10.57%	10.71%
Unemployment Rate	5.0%	9.5%	5.7%	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.

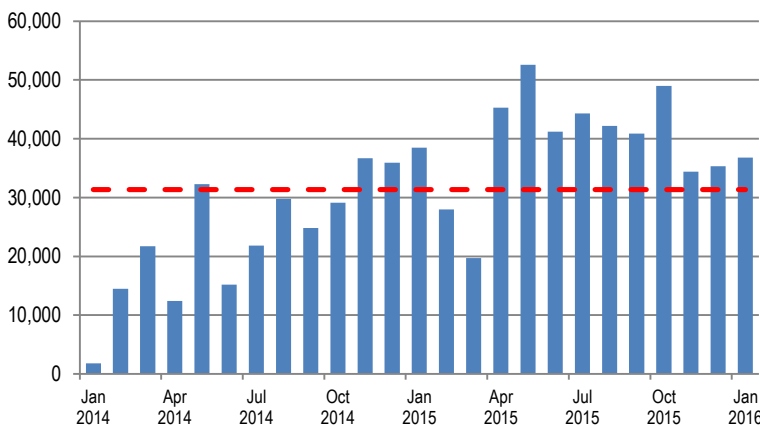
Source: Altarum Institute analysis of Bureau of Labor Statistics (BLS) data.

HEALTH CARE EMPLOYMENT

In January 2016, private-sector health care employment showed a gain of 36,800 jobs (Exhibit 1), according to the BLS Employment Situation report released on February 5, 2016. Hospitals gained 23,700 jobs while ambulatory care settings added 10,700 jobs in January. The health share of total employment is 10.71% (Exhibit 8).

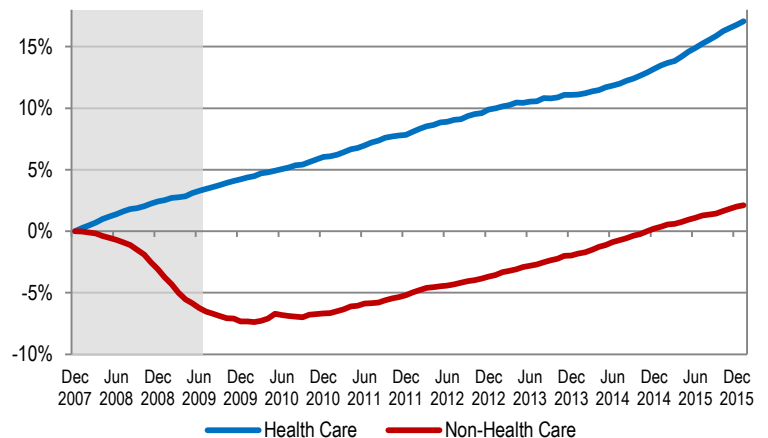
Over the last 12 months, total private-sector health care employment grew by 470,000 jobs or 3.2%. During this period, total nonhealth payroll employment increased by 2,195,000 jobs or 1.7% (Exhibit 6). Since the start of the recession in December 2007, the health sector has added 2.2 million jobs for a cumulative gain of 17.1%, while nonhealth employment has grown by 2.6 million jobs for a cumulative gain of 2.1% (Exhibit 2).

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



Source: Altarum analysis of BLS data.

Exhibit 2. Health and Nonhealth Employment: Cumulative Percentage Change Since December 2007



Source: Altarum analysis of BLS data.

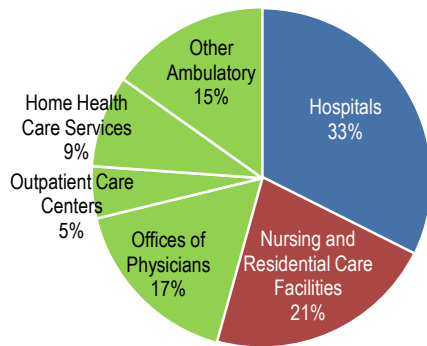
Note: Shading indicates the recession period.

HEALTH CARE JOBS BY CATEGORY

In January 2016, the following occurred:

- ▲ Hospitals gained 23,700 jobs, significantly more than both the 12-month average gain of 15,700 and the 24-month average gain of 10,800.
- ▲ Ambulatory health care services added 10,700 jobs, significantly fewer than the 12-month average gain of 20,600. These services include the following:
 - Offices of physicians gained 6,000 jobs (12-month average: 6,400).
 - Outpatient care centers lost 400 jobs (12-month average: 2,500).
 - Home health care gained 6,300 jobs (12-month average: 5,700).
 - Other ambulatory services, which include offices of dentists, chiropractors, other health care practitioners, and labs, lost 1,200 jobs (12-month average: 6,000).
- ▲ Nursing and residential care facilities gained 2,400 jobs (12-month average: 2,800).
- ▲ 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, January 2016

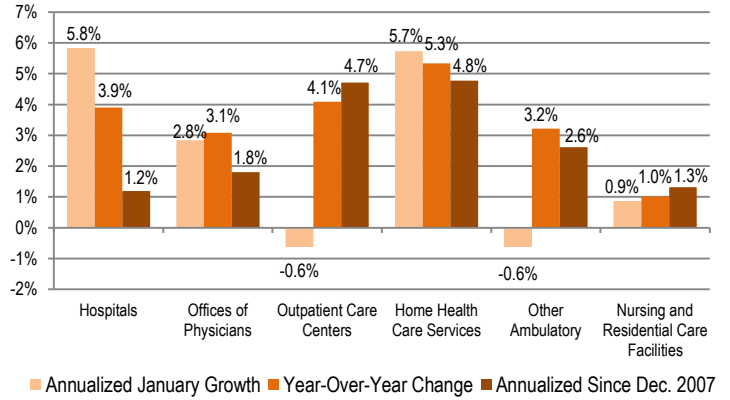


Source: Altarum analysis of BLS data.

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

Over the past 12 months, home health care grew at the fastest rate, 5.3%, adding 68,900 jobs. Outpatient care centers gained 29,900 jobs for a growth rate of 4.1%. Offices of physicians added 89,500 jobs for a growth rate of 3.6%. Other ambulatory care settings gained 71,900 jobs for a growth rate of 3.2%. Hospital jobs grew 3.9% over the past 12 months, adding 188,800 jobs. Finally, nursing and residential care added 33,200 jobs for a growth rate of 1.0% (Exhibit 4).

Exhibit 4. Growth in Health Care Employment, by Selected Setting



Source: Altarum analysis of BLS data.

DISCUSSION

We expect to see a relationship between spending on health care services and health sector hiring. [Altarum’s monthly tracking of health spending](#) shows that the rate of growth in spending on health care services has been slowing over the past year, and, in particular, the rate of growth in hospital spending has been slowing. Yet hiring, especially for hospitals, is not playing along.

The health sector has added more than half a million jobs since January 2015, 40% of them in hospitals. We have been anticipating a slowdown in job growth as the impacts of expanded coverage on demand and on revenues begin to level off, and we did see a decline in the number of new hospital jobs being added each month in the last half of 2015. In this context, the January 2016 jump in hospital hiring was somewhat surprising. Hospitals added nearly 24,000 jobs in January, growing at 3.9% year over year, the largest monthly increase and largest rate of growth since our data series began in 1990.

Led by hospitals, health care job growth was strong in January, at nearly 37,000 jobs, and it could have been stronger if not for small losses in outpatient care centers and the “other ambulatory” category. Job growth continued on pace in physician offices, home health, and nursing and residential care.

In the overall labor market, despite job growth that was lower than consensus expectations, January labor data show positive signs. The addition of 151,000 new jobs is more than the [estimated 80,000 per month required to maintain a stable unemployment rate](#); in fact, this rate fell to 4.9% for the first time since early 2008. Wages grew 2.5% over the year and [Job Openings and Labor Turnover Survey \(JOLTS\)](#) data are still showing strong openings and hires, indicating likely continued job growth.

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Altarum Institute is a 501(c)(3) nonprofit health care research and consulting organization. Altarum integrates independent research and client-centered consulting to deliver comprehensive, system-based solutions that improve health and health care.

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)	January 2016	December 2015	January 2015	January 2014	December 2007
Non-Health Care	127,949	127,835	125,754	123,017	125,310
Health Care	15,339	15,302	14,869	14,557	13,103
Ambulatory Health Care Services	7,000	6,989	6,752	6,547	5,555
Offices of Physicians	2,574	2,568	2,497	2,440	2,228
Outpatient Care Centers	761	761	731	697	524
Home Health Care Services	1,360	1,354	1,292	1,245	933
Other Ambulatory	2,305	2,306	2,233	2,165	1,871
Hospitals	5,024	5,000	4,835	4,766	4,564
Nursing and Residential Care Facilities	3,316	3,313	3,282	3,244	2,984
Nursing Care Facilities	1,659	1,660	1,653	1,648	1,612
Other Nursing and Residential	1,656	1,653	1,630	1,596	1,372
Health Share of Employment	10.71%	10.69%	10.57%	10.58%	9.47%

Source: Altarum analysis of BLS data.

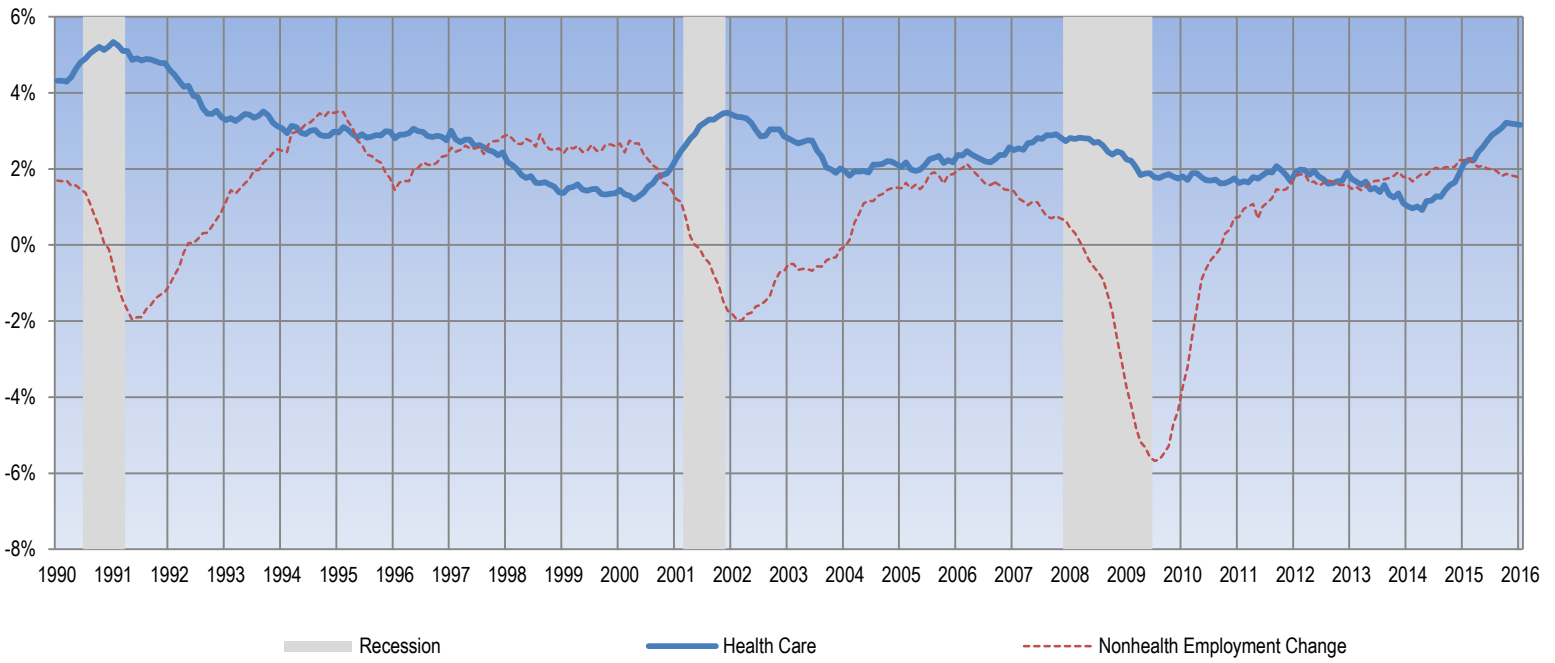
Exhibit 6. Change in Employment Data by Sector, Seasonally Adjusted

Employment Change (in thousands)	One Month	12 Months	24 Months	Since Dec. 2007
Non-Health Care	114.2	2,195.3	4,931.6	2,639.0
Health Care	36.8	469.7	782.4	2,236.0
Ambulatory Health Care Services	10.7	247.7	453.1	1,444.5
Offices of Physicians	6.0	77.0	133.6	346.2
Outpatient Care Centers	-0.4	29.9	64.0	236.2
Home Health Care Services	6.3	68.9	115.8	427.6
Other Ambulatory	-1.2	71.9	139.7	434.5
Hospitals	23.7	188.8	258.1	459.8
Nursing and Residential Care Facilities	2.4	33.2	71.2	331.7
Nursing Care Facilities	-0.9	6.4	11.1	47.6
Other Nursing and Residential	3.3	26.8	60.1	284.1
Annualized Percentage Change				
Non-Health Care	1.1%	1.7%	2.0%	0.3%
Health Care	2.9%	3.2%	2.7%	2.0%
Ambulatory Health Care Services	1.9%	3.7%	3.4%	2.9%
Offices of Physicians	2.8%	3.1%	2.7%	1.8%
Outpatient Care Centers	-0.6%	4.1%	4.5%	4.7%
Home Health Care Services	5.7%	5.3%	4.5%	4.8%
Other Ambulatory	-0.6%	3.2%	3.2%	2.6%
Hospitals	5.8%	3.9%	2.7%	1.2%
Nursing and Residential Care Facilities	0.9%	1.0%	1.1%	1.3%
Nursing Care Facilities	-0.6%	0.4%	0.3%	0.4%
Other Nursing and Residential	2.4%	1.6%	1.9%	2.4%

Source: Altarum analysis of BLS data.

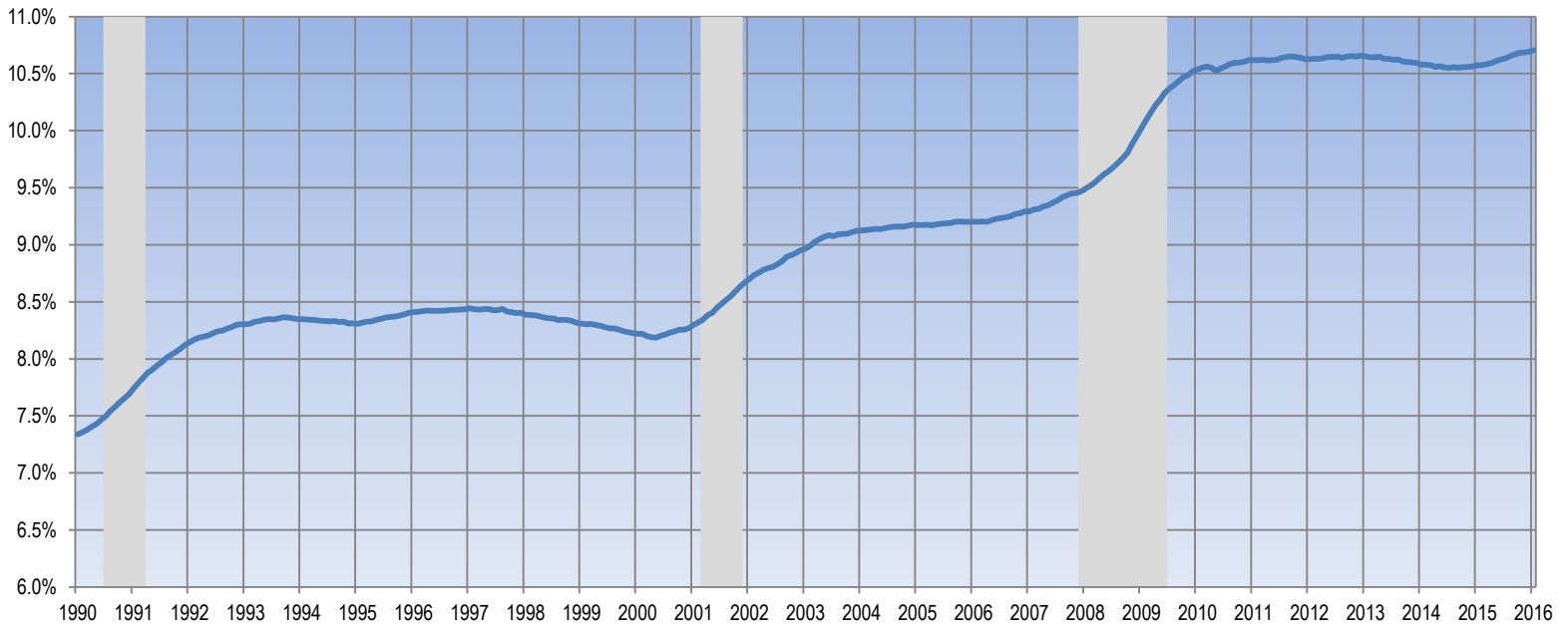
TIME SERIES TRACKER

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.