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Healthcare sees historic job growth, but workforce challenges remain

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The Buzz This Week

Last month, data released from the United States Bureau of Labor Statistics (BLS) showed that healthcare hiring reached a 30-year high in 2023, growing at the fastest rate since 1991. With a 3.9% hiring increase, healthcare jobs expanded by more than double the 1.5% growth rate seen across other industries last year. Despite the job increases, provider organizations face ongoing challenges with their workforce's health and capacity.

The healthcare sector currently employs more than 17.4 million people. In 2023, the industry added 654,000 jobs—accounting for almost one-quarter of all new jobs in the U.S. According to the U.S. Department of Labor, this trend continued in January 2024 with the addition of 70,300 jobs, despite an anticipated slowdown.

While hospital employment is up 3.7% since the start of the pandemic, ambulatory care hiring has increased 9.6%, averaging 26,700 jobs per month in 2023. The surge in ambulatory care jobs, specifically, is driven by the shift in patient preferences to receive care in outpatient settings. Nursing home and residential facility hiring continues to struggle—down 4.6% from pre-pandemic levels—averaging 5,800 and 6,800 jobs per month, respectively. The lag in residential care hiring has been attributed to nursing home closures and low resident census.

The increase in healthcare hiring can be attributed to pandemic recovery and increased demand for care. This includes the return of elective procedures that were previously delayed during the pandemic and continued hiring to replace workers who left the industry during 2021 and 2022.

During the pandemic, the healthcare sector faced significant job loss, with many employees experiencing burnout, retiring, or leaving the industry for other opportunities. BLS data shows that the healthcare workforce largely recovered the more than 1 million early pandemic job losses by October 2022 and has

steadily been adding jobs since. But burnout, recruitment, and retention remain challenges. And many facilities face continued staffing shortages. As a result of the turnover, experience levels declined from pre-pandemic levels, with the median tenure of nurses dropping 20% between 2021 and 2022, from 3.6 years to 2.8 years.

Why It Matters

With an increasingly aging population, the healthcare workforce will likely remain in high demand and a strong job generator for years to come. The U.S. Chamber of Commerce anticipates an increased demand for healthcare and pharmaceutical workers, expecting over 3.3 million new jobs in the next 7 years. The BLS expects the sector will create about 45% of all projected job gains from 2022 to 2032. Healthcare staffing needs are expected to continue to support overall employment growth for the near future.

However, employee retention remains a key concern for the healthcare sector. Up to 70% of healthcare workers are still experiencing high stress and burnout. The number of healthcare and social assistance employees who resigned in September 2023 was 9% higher than pre-pandemic and 22% higher than 2019. Some labor economists believe these retention dynamics are unlikely to change significantly moving forward. While recent hiring metrics are encouraging and the opportunities for patient-facing positions continue to rise, the future of the U.S. healthcare sector is not without its challenges, including an aging workforce, increasing healthcare needs, and higher employment demands.

Additionally, hospitals are still facing below-average operating margins, with financial recovery taking longer than anticipated. According to a report from Fitch, “Managing personnel costs is the ‘single most meaningful differentiator between operational success and failure.’” Health systems will need to be strategic with their ongoing recruitment and retention efforts while continuing to rebuild a robust workforce.

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