

# HEALTH CARE INDUSTRY TRENDS AND ISSUES

A LABOR MARKET PROFILE PREPARED BY THE FISCAL POLICY INSTITUTE

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## Summary of Findings

While intense debate continues to swirl nationally around fundamental issues of equity and cost in the U.S. health care system, there seems little serious room for debate around a more narrow issue; e.g., the importance of health care to the local New York City economy and labor market. This FPI labor market update shows that:

1. The health care industry employs approximately 375,000 people in New York City, making it the city's number one sector in terms of employment, as well as the number one sector in every borough except Manhattan. Further, the industry overall has exhibited a growth pattern that persists through the ups and down of the wider economy.
2. The health care industry involves an extraordinarily wide array of occupations, including both direct service and non-direct service occupations. Many of these occupations are open to people with associates degrees or less. For example, according to the 1998 occupational data analyzed in this update, some 66,000 people were working in New York City as nursing aides, home health aides, and licensed practical nurses. An additional 46,000 or so people were employed in one of several health-related clerical support occupations, while some 16,000 worked as janitors, housekeepers, or food service workers.
3. The health sector labor market is both highly regulated and highly unionized, making for relatively well-paid jobs. In addition, certification requirements and terms of collective bargaining agreements on the direct patient care side of the labor market tend to create unusually well-defined career ladders.
4. The New York City health sector labor market is heavily female, and heavily non-white. For example, Equal Employment Opportunity Commission data on operations with over 100 employees (mostly hospitals) shows black females as the single largest employment category (at 28% of the workforce), followed by white females (at 25%).
5. While employment growth in health care overall has been relatively steady, the decade of the 1990's produced substantial shifts in the internal composition of the health care workforce. Employment growth moved away from large hospitals and toward outpatient, home care, and long-term care settings. At the same time, employment growth moved away from the public sector and toward the private/voluntary sector.

## Employment shifts: steady but uneven growth

The decade of the 1990's saw pronounced shifts in the structure of the health care industry both nationally and locally. Just a few of the most important health care “megatrends” included the overall health system’s shift toward managed care, hospital consolidation, cost containment in the Medicaid and Medicare programs, and deep funding and personnel cutbacks for New York City public hospitals (especially in the 1994-96 period).

Table 1 (below) shows some of the overall results of these shifts. Stated simply, employment growth moved away from large hospitals and toward outpatient, home care, and long-term care settings, and at the same time away from the public sector and toward the private/voluntary sector. Among major subcategories of employment, public hospitals were hardest-hit with a 33% decline, while home health care services saw the greatest gains with a more than 75% increase.

**Table 1: Trends in New York City’s Health Care Industry Employment (1990-2000)**

Sector	Average Employment			Share of Industry	
	1990	2000	% Chg.	1990	2000
<b>Private Health Services</b>	256,251	320,794	25.2%	77.8%	85.4%
Hospitals	142,936	154,366	8.0%	43.4%	41.1%
Nursing & Personal Care Facilities	36,207	51,528	42.3%	11.0%	13.7%
Offices & Clinics (MD's)	27,537	43,142	56.7%	8.4%	11.5%
Home Health Care Services <sup>1</sup>	18,399	32,368	75.9%	5.6%	8.6%
Offices & Clinics (Dentists/Others)	16,470	23,321	41.6%	5.0%	6.2%
Health & Allied Services	10,607	12,143	14.5%	3.2%	3.2%
Medical & Dental Labs	4,095	3,926	-4.1%	1.2%	1.0%
<b>Public Health Services</b>	72,945	54,767	-24.9%	22.2%	14.6%
Hospitals	67,774	45,116	-33.4%	20.6%	12.0%
Nursing & Personal Care Facilities	5,171	9,651	86.6%	1.6%	2.6%
Health & Allied Services	*	1,630	*	*	0.4%
<b>All Health Services</b>	329,196	375,561	14.1%	100.0%	100.0%

Source: NYS Dept. of Labor (ES 202 data)

Despite the uneven employment growth shown in Table 1, however, the overall health care sector grew by 14.1% over the course of the decade (from some 329,000 workers to some 376,000 workers). In comparison, overall New York City employment (private & public) grew only 3.3% between 1990 and 2000. Moreover, total health care employment continued to grow even through the sharp regional recession of the early 1990's that saw the loss of hundreds of thousands of jobs citywide. Health care is particularly important as a stable anchor for the economies of the four boroughs outside Manhattan, as shown below.

<sup>1</sup> Note that many additional home care workers are counted under the Standard Industrial Classification code for social services.

**Employment concentration: health care is biggest industry in four of five NYC boroughs**

At the peak of the year 2000 boom, the business services industry briefly eclipsed the health care sector as New York City’s single largest private sector employer. Recent downsizing in the business services sector, however, has vaulted health care back into its traditional leading position.

What’s most unique about health care, however, is the importance of the sector to the economy of every borough. Table 2 shows that the health care industry is the top private sector employer in the Bronx, Brooklyn, Queens and Staten Island. While Table 2 doesn’t show public sector employment, the public health care sector by itself would be the third largest employer in the Bronx if it were incorporated into the table.

**Table 2: Top Five 2-Digit Private Sector Employment Categories, 2000**

	<b>Manhattan</b>	<b>Bronx</b>	<b>Brooklyn</b>	<b>Queens</b>	<b>Staten Island</b>
<b>1</b>	Business Services	<i>Health Services</i>	<i>Health Services</i>	<i>Health Services</i>	<i>Health Services</i>
<b>2</b>	Security/Commodity Brokers, Dealers, Exchanges and Services	Social Services	Social Services	Air Transport	Social Services
<b>3</b>	<i>Health Services</i>	Educational Services	Business Services	Construction	Eating/Drinking Establishments
<b>4</b>	Engineering, Architectural, Accounting, Research, Management Services	Real Estate	Construction	Social Services	Construction
<b>5</b>	Eating/Drinking Establishments	Eating/Drinking Establishments	Educational Services	Eating/Drinking Establishments	Business Services

Source: NYS Department of Labor (ES 202 data)

**Labor market structure: a heavily regulated industry**

Compared to other industries, the health care sector is unusually regulated, monitored, and structured. This is true in at least four general senses:

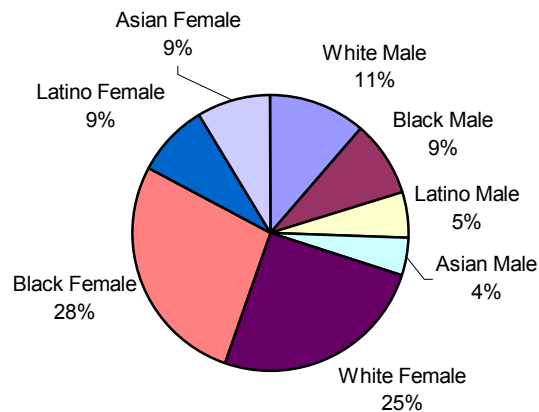
- First, on the direct patient care side of the industry, employment ladders are defined by an extensive and legally binding system of professional certifications. This characteristic makes pathways for advancement more clear than in most other industries, and places an emphasis on the importance of educational institutions granting the certifications. The system also seems to have the general effect of both raising and buffering wage levels (see below).
- Second, the industry as a whole is highly unionized. Unionization tends to formalize employment and wage levels, and makes health care unions important institutional players in the labor market.
- Third, health care costs and reimbursements to providers are regulated. This is especially true of Medicare and Medicaid reimbursements.
- Finally, health care providers themselves must be licensed by the State’s Department of Health. The State provides operating certificates to (and also reviews any service provision or facility changes carried out by) the following entities: diagnostic and treatment centers; certified home health care agencies; hospices; hospitals; residential care facilities (nursing homes); and long-term home health care programs. In addition, there are “licensed” home health care agencies, which are regulated by a separate branch of the Department of Health.

## Labor market demographics: a heavily female and minority workforce

1997 Equal Employment Opportunity Commission (EEOC) data shows that health care workers in New York City are majority female and majority non-white.

Chart 1 shows the specific ethnicity/sex breakdown of New York City private sector health care workers. Black females represent the single largest category, followed by white females. Note that since the EEOC data used for this table only covers entities over 100 employees, it may be best interpreted as a reflection of large institutions like hospitals.

**Chart 1: Ethnicity/Sex of NYC Private Sector Health Care Workers, 1997**



Source: EEOC data as analyzed by Prof. Walter Stafford in “Labor Market Segmentation: Analysis of Industrial and Occupational Employment in New York City Public and Private Sectors by Race/Ethnicity and Gender”

## Occupational matrix: many different kinds of jobs

Befitting its size, the health sector includes an unusually large array of distinct occupations. These occupations include both direct service and non-direct service work. They also include work that requires different kinds and levels of qualification and training – jobs from surgeon to stock clerk. All in all, the State Department of Labor lists exactly 300 separate occupations connected in some way to health care. More than 50 of these occupations involve 1,000 or more industry workers.

Tables 3a and 3b list the top 15 direct service and non-direct service occupations in the health services industry (SIC 80) for New York City as of 1998. This data is derived from the Department of Labor’s Occupation & Employment Survey (OES).

**Table 3a: Top Fifteen Direct Service Occupations within SIC 80 (Health Services)**

<b>OES Code</b>	<b>Occupation Name</b>	<b># Employed</b>
325023	Registered nurses	56,052
660063	Nursing aides & orderlies	34,226
321023	Physicians & surgeons	20,656
660113	Home health aides	16,514
325053	Licensed practical nurses	15,542
329993	Health professional & technical workers, n.e.c.	7,850
660993	Health service workers, n.e.c.	5,694
660023	Dental assistants	4,849
273023	Social workers, medical & psychiatric	4,831
660053	Medical assistants	4,792
329193	Radiologic technologists, hospitals	4,558
680353	Personal home care aides	4,255
329023	Medical/clinical laboratory technologists	4,192
329053	Medical/clinical laboratory technicians	3,331
323083	Physical therapists	2,556

**Table 3b: Top Fifteen Non-Direct Service Occupations within SIC 80 (Health Services)**

<b>OES Code</b>	<b>Occupation Name</b>	<b># Employed</b>
553473	Clerks, general office	10,350
553053	Receptionist, information clerks	10,210
551083	Secretaries, except legal & medical	9,752
670023	Maids & housekeeping cleaners	9,727
150083	Medicine & health service managers	7,671
551053	Medical secretaries	5,650
510023	Clerical supervisors	5,130
650383	Food preparation workers	3,559
190053	General managers & top executives	2,950
199993	Managers & administrators, n.e.c.	2,750
630473	Guards	2,694
670053	Janitors & cleaners	2,670
553383	Bookkeeping, accounting, & auditing clerks	2,646
553443	Billing, cost & rate clerks	2,540
219993	Management support occupations, n.e.c.	2,325

Source: NYS Department of Labor (OES data), 1998.

Even a brief look at Tables 3a and 3b shows that the occupational matrix for the health care sector involves a lot more than doctors and nurses (though note that RN's are the single largest employment category and that substantial opportunities exist in this field given the current nursing shortage). For example, according to the OES data in Table 3a, some 66,000 people were working in New York City as nursing aides, home health aides, and licensed practical nurses in 1998. An additional 46,000 people were employed in one of the several clerical support occupations listed in Table 3b, while some 16,000 worked as janitors, housekeepers, or food service workers.

The list could go on, but the point remains that the health care labor market is highly diverse, and includes large numbers of low to moderate skill-level occupations.

### **Occupational wage scale: many middle-income jobs**

According to 1998 Occupational Employment Survey data, the vast majority of NYC health practitioners and technicians on the direct service side of the industry are earning at least \$15 per hour. Some of the highest paid positions include physicians and surgeons (\$48.58 per hour) and registered nurses (\$28.95 per hour). Licensed practical nurses earn a median hourly wage of \$16.25 in comparison. Pharmacy technicians are the lowest paid direct service health care workers, earning a median wage of \$10.27.

Getting a bead on wage levels in the non-direct service side of the industry is somewhat more difficult, as the OES data lists median wages for individual occupations on an all-industry basis only. So, for example, while we know that the median hourly wage for food preparation workers citywide is \$7.67, it is difficult to determine without further research whether health care food service workers get paid more or less. We can say as a generalization, however, that high unionization levels would tend to point to higher wages relative to the same occupation in non-unionized industries.

### **Occupational projections**

While a detailed discussion of occupational projections would be beyond the scope of this update, it's worth noting that the New York State Department of Labor projects significant growth in nearly all direct health service occupations. Such projections – always a tricky proposition – are perhaps more reliable in health care than for other more cyclical industries.

A particularly important issue, with quite substantial public health as well as economic implications, relates to growth in the number of registered nurses versus nurses aides. In our *State of Working New York* report, FPI has already pointed out a statewide trend toward substitution of nurses aides for higher paid and higher-skilled registered nurses. While the current “nursing shortage” (*New York Times*, 5/28/02, p. A1) may signal that this worrisome trend has for the time being played itself out, official employment projections show much faster expected growth rates for job classifications such as home health aides, nursing assistants, and medical assistants than for RN's.