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Fitch: Recruiting Staff Remains an Uphill Battle for U.S. Life Plan Communities

Fitch Ratings-New York/Austin-13 September 2023: Workforce recovery remains a formidable challenge for U.S. life plan communities (LPCs) with no apparent relief in sight, according to Fitch Ratings in its latest labor dashboard for the sector.

Labor challenges appear to be most daunting for LPCs with payrolls still trailing pre-pandemic levels and inflationary pressures still very much present within the broader economy. Though payrolls for skilled nursing facilities (SNFs) are also lower than before the pandemic, average hourly earnings growth has slowed to levels below the private sector. According to Director Richard Park, the disparity in wage growth appears to be a function of two factors.

“LPCs can pass through wage increases to residents and need to maintain a high level of services to keep occupancy and lead generation high,” said Park. “SNFs, by comparison, often generate a large portion of revenue from governmental payors, resulting in a permanent increase in nursing costs that may be forcing providers to reduce staffing needs by lowering capacity and improving productivity.”

Conversely, assisted living (AL) facilities are experiencing a favorable recovery picture. While payrolls at LPCs and SNFs remain 7% and 10% below pre-pandemic levels, respectively, AL payrolls have fully recovered to 4% above pre-pandemic levels.

Another area of concern continues to be Quit Rates, which remain high. The number of quits in the health care and social assistance sector remains high at 2.3% as of July 2023, compared to the 1.6% average from 2010 to 2019. “The tight labor market continues to be in favor of workers in search of higher wages and better work environments,” said Park.

“Life Plan Communities Labor Tracker: September 2023” is available at www.fitchratings.com.

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