

**Economic Drivers of the Nursing Shortage in Georgia**

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### ***Abstract***

Georgia is facing a worsening crisis in terms of its nursing workforce. Multiple economic factors are causing this crisis and thus causing concern about a potentially unstable health care system. Areas of concern causing the workforce shortage include wage competitiveness (the salary paid to nurses), educational pipeline (the number of nursing schools and their capacity), workforce turnover and burnout (nurses leaving the profession), and demographic-related demand pressures (the growing need for nurses due to population growth and aging). Georgia's wages are about 7%-9% less than the national average, 3,400 qualified candidates were denied entry into nursing programs in 2022, and more than 22% of registered nurses (RN) exit the profession each year. The increasing population and aging of that population have created significant increases in demand for health care services. Georgia could have a shortage of 36,000 nurses by 2035 unless there is a targeted, strategic policy change addressing compensation, educational capacity, and retention of the current nursing workforce.

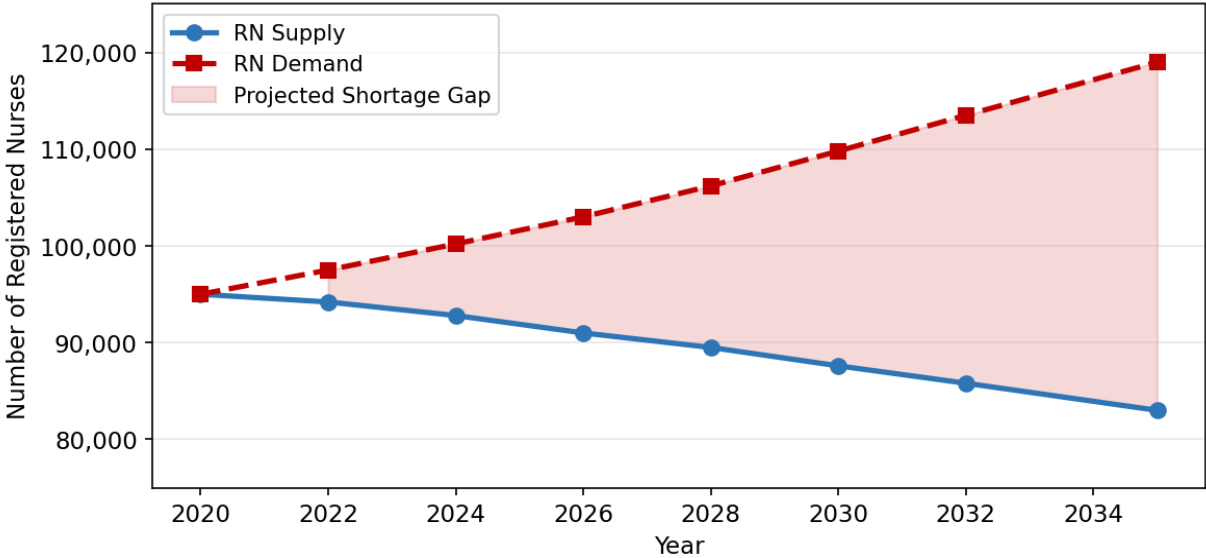
### ***Economic Drivers of the Nursing Shortage in Georgia***

The cyclical shortage of nurses has existed in the U.S. for decades; however, the current nursing shortage in Georgia is experiencing an unprecedented scale and projected duration. Georgia is one of the fastest-growing states, which is resulting in elevated population growth, therefore, increasing pressure on the size and capacity of its health care services. In their 2023 report, the Georgia Board of Nursing estimates that approximately 94,000 Registered nurses (RNs) are working in Georgia. This estimation of the total number of RNs in Georgia is based on the available data from the workforce and licensing data; therefore, it does not account for each

of the actual number of practicing RNs at any one time, and we do not have a current or total number of RNs in the workforce.

According to the Health Resources and Services Administration (HRSA) (2022), Georgia could have more than 36,000 RNs shortage by the year 2035; which is not to say that will be the only number of RNs left in Georgia; rather, there will be 36,000 positions where the number of RNs needed to meet the demand for RNs will be greater than the number of RNs in the state available to fill those positions. The nursing shortage will negatively impact the quality of care for patients; inadequate nurse staffing has been associated with increased rates of patient death, more medical errors, and escalating healthcare costs (Aiken et al., 2014).

**Figure 1. Projected RN Supply vs. Demand in Georgia (2020-2035)**



*Note. Projections based on HRSA (2022) workforce modeling and Georgia Board of Nursing (2023) data.*

This paper examines four interconnected economic drivers contributing to this shortage: wage competitiveness, educational pipeline constraints, workforce turnover and burnout, and demographic demand pressures.

### *Wage Competitiveness and Compensation Gaps*

Compensation is an important driver of nurse supply, distribution, and retention as part of the economy and labor market economics. Labor economics suggest that ongoing wage disparity between regions creates an attractive incentive for workers to migrate to higher-paying areas and reduces the appeal of lower-paying jobs (Buerhaus et al., 2017). According to the Bureau of Labor Statistics (2023), the average annual salary of registered nurses (RNs) in the United States is approximately \$81,220. In Georgia, the average annual salary for registered nurses (RNs) is approximately \$74,390, which represents a wage difference of approximately 8.4%. Both of these statistics are averages and represent trends in total estimated wages to date; however, they remain useful for comparison purposes among labor markets.

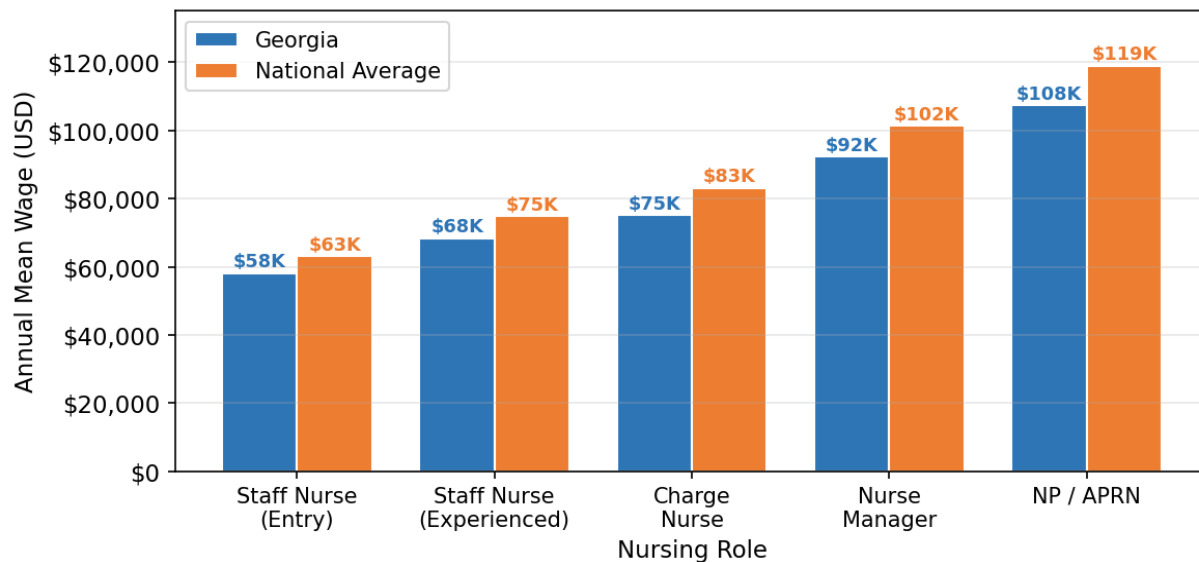
The disparity in compensation for advanced practice registered nurses (APRNs) is greater than the disparity between RNs within the state of Georgia and across the country. APRNs in Georgia are estimated to earn an average salary of approximately \$107,500, compared to approximately \$119,000 nationally, for a difference of approximately 10.5%. This wage discrepancy has a measurable impact on the nursing workforce. Nurses trained in Georgia may choose to work in neighboring states, seek higher-paying positions in urban areas or leave lower-paying rural and community hospitals, where their greatest staffing needs are located (Spetz et al., 2019).

Quantitative evidence illustrates this trend. A recent survey by the Georgia Hospital Association, released in 2021, found that 38% of the state's hospitals reported that they had lost RNs to employers outside the state in the past year. The most frequently cited reason for these losses was due to competitive compensation. Travel nurse contracts are becoming increasingly available, further impacting the market for permanent nursing staff. Travel nurses may earn two

to three times the salary of permanent nursing staff, creating an incentive for experienced nurses to leave long-term positions. (AMN Healthcare, 2022).

Healthcare institutions are also financially impacted by reliance on travel nurses. Hospitals, which primarily utilize travel nurses to fill staff vacancies, report increased labor costs associated with this practice. As a result, hospitals incur increased costs of 20-35% for supplemental staffing per nurse (NSI Nursing Solutions, 2023), perpetuating a cycle of wage disparity contributing to staff shortages, which in turn drives reliance on more expensive temporary labor.

**Figure 2. Mean Annual RN Wages: Georgia vs. National Average (2023)**



*Note. Data sourced from Bureau of Labor Statistics Occupational Employment and Wage Statistics (2023).*

Thus, in order to address the challenges of the above-mentioned impact, wage competitiveness needs to be increased rather than implementing traditional salary compression strategies. A salary compression plan reduces wage differentials by lowering wages of higher-salaried individuals; however, in this case, this approach would not make sense. Instead, the goal of policy initiatives regarding wages should be aimed at increasing compensation levels for lower-salaried individuals working in the lowest-paying regions and occupations to meet the

national averages. Some possible methods to strengthen compensation for nurses may include loan forgiveness programs, retention bonuses and other financial incentives specifically for nurses working in areas of high need. Through improving total compensation levels for nurses, Georgia may improve nurse retention and reduce the incidence of nurse turnover without negatively impacting nursing professionals with experience.

### ***Educational Pipeline Constraints***

Raising salaries for nurses alone cannot solve the nursing workforce shortage when the educational system producing the future nurse workforce is limited in its capacity. In Georgia alone, an estimated 3,400 qualified applicants were turned away from nursing school during the year 2022. These applicants met the minimum admission requirements to enter nursing school; therefore, the number of students indicates there is a desire to become a nurse, and not a lack of interest in this profession. The number of qualified applicants denied admission was primarily due to a shortage of available nursing faculty versus an insufficient number of students interested in pursuing nursing education (AACN 2023). Data on the vacancy rates of nursing faculty illustrate the limitations of the system. In 2023, the American Association of Colleges of Nursing published that the vacant faculty position rate nationally among baccalaureate and graduate nursing programs was 8.8 per cent, while Georgia's vacant faculty position rate was 13.1 per cent. The gap in nursing faculty vacancy rates indicates that the state of Georgia has a more severe shortage of qualified faculty compared to the national average.

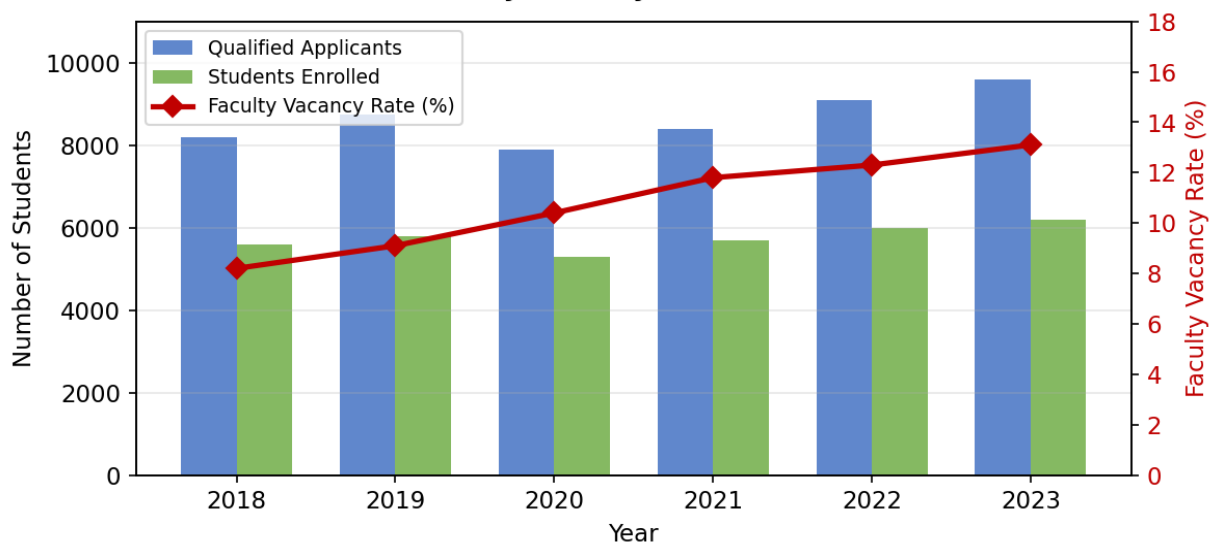
The nursing faculty shortage is largely driven by economic reasons as Doctorally prepared nurse educators typically earn less than nurses working in clinical practice by a margin of \$40,000 annually at the high end (Nardi and Gyurko 2013). The salary gap between nurses in

clinical practice and nurse educators deters experienced nurses from assuming academic positions and may also compel existing educators to return to higher-paying clinical roles. Furthermore, many of the faculty hired during the 1990s' expansion of nursing education programs are approaching retirement, creating additional limitations on faculty capacity to educate nursing students. The combination of all of these factors has created a structural limitation on Georgia's ability to expand nursing program enrollments. The limits we have identified above can be measured with enrollment and graduation data. Enrollment in Georgia nursing programs increased only slightly from approximately 5600 enrollees in 2018 to just over 6200 by 2023. This increase in enrollment did not keep pace with the demand for nursing graduates as evidenced by the high number of qualified applicants not being able to enter nursing school. Nursing programs also have a completion rate of approximately 82 per cent, which leads to approximately 5100 new nurses each year entering the workforce. The number of new nurses entering the workforce is not sufficient to replace the number of nurses exiting the profession, nor does it meet the needs of a growing population (HRSA 2022).

The constraints listed above will require economic and structural interventions to be resolved. Increasing nursing faculty salary to create competitiveness between academic and clinical salary is a necessary step toward improving the recruitment and retention of educators. Other measures include offering transition programs for experienced nurses from clinical practice to an academic role and utilizing simulation labs to create additional capacity. A simulation lab is a safe training environment that allows nursing students to practice their clinical skills on sophisticated mannequins and in realistic patient care scenarios. Simulation labs provide a systematic and effective training environment for programs to develop additional nursing

students and provide high-quality education when there are limited opportunities for clinical placements.

**Figure 3. Georgia Nursing Program Applicants, Enrollment, and Faculty Vacancy Rate (2018-2023)**



Note. Data from AACN (2023) and Georgia Board of Nursing (2023).

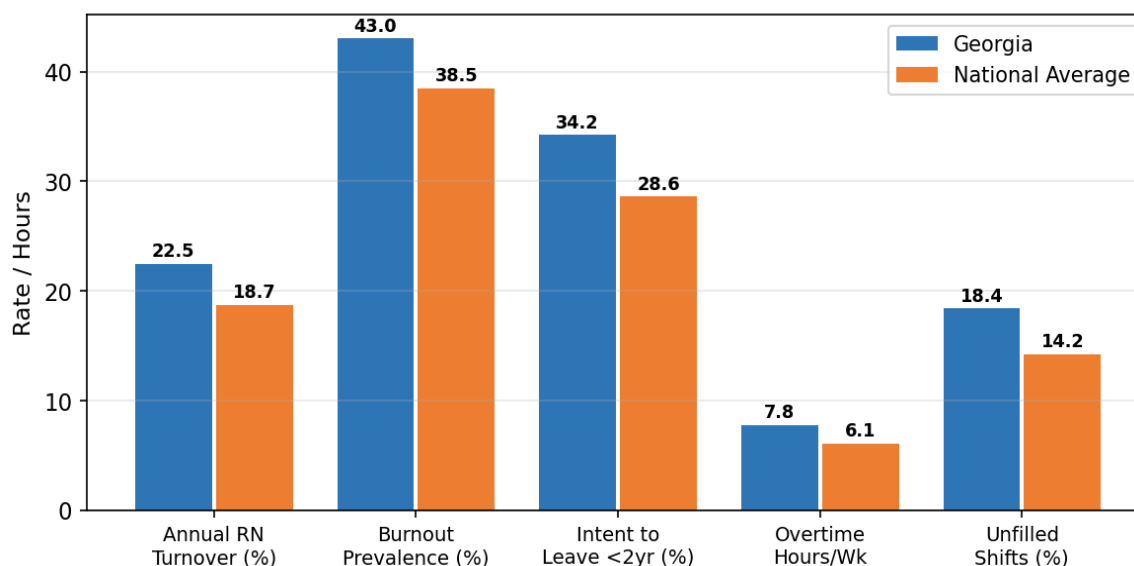
### ***Workforce Turnover and Burnout Costs***

The wage gap creates financial incentives for nurses to pursue employment opportunities in other states and/or employment settings with higher wages. For example, many travel nursing opportunities are available that provide nurses with relatively high, short-term compensation, which can lead to experienced nurses leaving permanent positions in hospitals. This loss of experienced nurses may increase vacancy rates in Georgia healthcare facilities and increase reliance on temporary staffing solutions, resulting in higher operational costs and reduced workforce stability. It is essential to clarify that addressing wage disparities should not occur through traditional salary compression programs. A typical salary compression program reduces the disparity between higher- and lower-wage employees by reducing the highest-paid salaries in the organization; this is not the purpose in this situation. The focus must instead be on improving

wage competitiveness overall by raising non-competitive wages paid to employees in lower-wage communities or positions to be more aligned with national standards. Compensation strategies to improve overall wage competitiveness may include offering retention bonuses, modify reimbursement rates, and providing targeted financial incentives to encourage nurses to work in underserved communities.

Strengthening Georgia's wage competitiveness rather than compressing wages allows Georgia to improve its nurse retention and decrease its workforce shortages while preventing additional dissatisfaction among qualified nurse professionals.

**Figure 4. Workforce Strain Indicators: Georgia RNs vs. National Average (2022-2023)**



*Note. Data from NSI Nursing Solutions (2023) and AMN Healthcare (2022) workforce surveys.*

### ***Demographic Demand Pressures***

Population growth and demographic trends are some of the biggest factors for nursing demand in Georgia. As Georgia's population continues to grow, so too does the population's aging, meaning that over time the amount of healthcare services needed, increases. According to US Census Bureau and HRSA 2022 projections, the population of Georgia will continue to grow

through 2035, with a very high proportion of this population being older adults. These projections are based on actual population data, as well as projections calculated using demographic modelling techniques, which means that they represent expected trends; they do not represent exact counts of what Georgia will look like in 2035. The elderly population affects healthcare demand directly; as we age, we typically see a higher number of physician visits, as well as the need for the management of chronic illnesses, hospitalization, and long-term care services. As a result, when the population ages, there is an increased nurse-to-patient ratio. Concurrently, as many nurses who are currently working will also soon retire, creating a dual dilemma where the demand for healthcare services is increasing, while the number of older, experienced nurses will decrease over time.

When these two factors (healthcare demand due to an aging population and aging nurses) are considered together, there is a gap between healthcare demand and the healthcare workforce's ability to meet the demand. For example, the projected shortage of 36,000 nurses by the year 2035 simply reflects how many nurses will need to work to meet the healthcare demand (based on projected demand) compared to how many nurses will be working at that time (based on projection of retirement). The distinction between these two numbers is critical to understanding the extent and nature of the problem.

Demographically, larger cities and suburbs are currently experiencing an increase in demand for healthcare services due to population increases, whereas many rural areas are still experiencing chronic shortages of nurses. These regional differences in the population are more complex than just a simple distribution of nurses; as previously stated, nurses are more likely to be found in densely populated areas, where nurses can find higher-paying jobs and better access to resources. Addressing the demographic issues impacting the nursing workforce will require

long-term planning strategies for establishing the nursing workforce. These strategies include expanding the number of nurses being trained through education, improving the retention of experienced nurses through better working conditions, and establishing policies to promote the equitable distribution of healthcare workers across the state. Without addressing these issues, and the impact that demographics will have on the workforce, we will never be able to sustain the demand for healthcare and nursing in Georgia.

### ***Conclusion***

There is an underlying structural imbalance between the supply of workers and the demand for healthcare in Georgia which has resulted in a nursing shortage, as opposed to merely declining numbers of registered nurses. While there are 94,000 general registered nurses practicing in Georgia right now, it is anticipated that there will be more than 36,000 unfilled general registered nursing jobs by 2035 based on an estimate of projected healthcare needs. This disparity between the supply of available general registered nurses and the projected number of general registered nursing positions is evidence of a lack of sufficient available personnel and not that there will be fewer registered nurses.

There are several factors that contribute to this structural imbalance that are economically and functionally interrelated. Nurses in Georgia are less competitive for positions available in other states because of wage differentials, leading them to pursue higher paying employment in other states. Also, there is a significantly limited ability to funnel new nurses into the Georgia nursing workforce due to limited faculty availability and limited capacity in nursing programs. In addition, the average turnover rates among nurses due to burnout and heavy workload requirements lead to less stability of the nursing workforce and increasing costs related to

hospitals and other healthcare facilities. Demographic population growth and an aging population only continue to fuel a growing demand for healthcare services that far outpaces the rate of growth of the nursing workforce.

The coordinated policy approach that is necessary to remedy the nursing shortage consists of identifying ways to increase workforce supply and improving retention. This approach must address a variety of issues, including increasing wage compensation, increasing available faculty to teach nursing by investing in faculty; increasing nursing education capacity by developing the same infrastructure for simulation laboratory teaching as for classroom/clinical teaching; and implementing workplace improvements that reduce burnout and turnover to increase retention. Simulation laboratories, accordingly are an effective and efficient solution to the problem of how to train greater numbers of nursing students while providing clinical skills training in a well-structured environment.

A shortage of nurses in Georgia will be an ongoing, long-term economic concern, as opposed to a temporary workforce disruption, unless there is intervention through continued involvement. Even without intervention, the de facto shortage will result in a larger gap between the size of the nursing workforce and the need for nurses, with growing strain on the inability of the healthcare system to care for patients, adversely affecting patient care. The evidence shows that investment in workforce development, education and retention programs prior to a shortage is an essential component of ensuring the development of a stable, functioning healthcare system in Georgia.

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