



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 9

December 2013

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Highlights

- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$87 million to \$25.08 billion in Q3 2013. Virginia's HC&SA earnings have grown by 3.0% over the past year.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$79 million to \$22.82 billion in Q3 2013. Employee compensation has also grown at a 12-month annualized rate of 3.0%.
- ◆ Compensation per employee in Virginia's HC&SA sector declined by \$274 to \$56,212 in Q3 2013. Although this represents the second consecutive quarter in which Virginia's HC&SA compensation per employee has decreased, year-over-year growth remained positive at 0.1%.
- ◆ For Q2 2013, HC&SA earnings, total employee compensation and compensation per employee were revised downward by \$476 million, \$485 million and \$1,205, respectively.

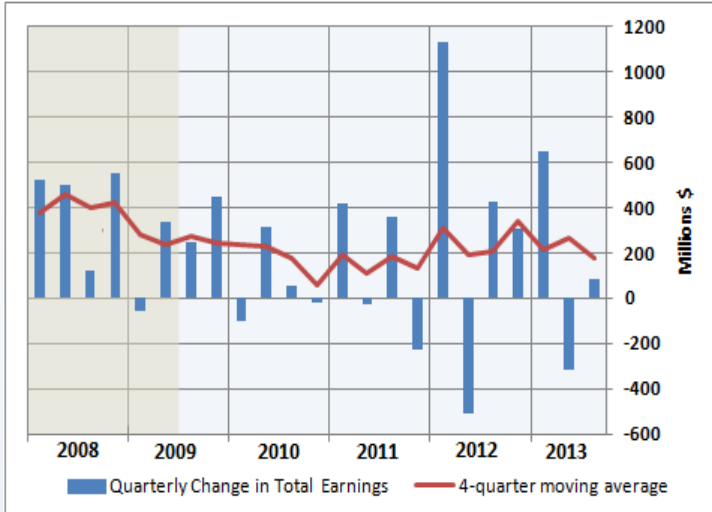
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

| | Income (Millions of Dollars) | | | | Growth Rate, Annualized | | |
|---|------------------------------|--------------|--------------|--------------|-------------------------|---------|-----------|
| | Q3 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Annual | 6-Month | Quarterly |
| Earnings (Personal income less rents, interest, dividends and government payments) | | | | | | | |
| Virginia | \$282,776 | \$288,100 | \$288,748 | \$289,435 | 2.4% | 0.9% | 1.0% |
| National | \$9,792,787 | \$10,026,441 | \$10,122,776 | \$10,192,735 | 4.1% | 3.3% | 2.8% |
| Health Care & Social Assistance Earnings | | | | | | | |
| Virginia | \$24,359 | \$25,311 | \$24,992 | \$25,079 | 3.0% | -1.8% | 1.4% |
| National | \$1,076,000 | \$1,106,893 | \$1,110,634 | \$1,111,889 | 3.3% | 0.9% | 0.5% |
| Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits) | | | | | | | |
| Virginia | \$22,152 | \$23,071 | \$22,741 | \$22,820 | 3.0% | -2.2% | 1.4% |
| National | \$955,428 | \$984,532 | \$987,643 | \$988,424 | 3.5% | 0.8% | 0.3% |
| Health Care & Social Assistance Compensation per Employee (HWDC Estimate) | | | | | | | |
| Virginia | \$56,176 | \$57,653 | \$56,485 | \$56,212 | 0.1% | -4.9% | -1.9% |
| National | \$56,284 | \$57,313 | \$57,109 | \$57,083 | 1.4% | -0.8% | -0.2% |

Health Care & Social Assistance Earnings

Figure 1: Quarterly Change in Total Earnings from Virginia’s Health Care & Social Assistance Sector. Includes proprietor’s income, salaries and wages, and benefits.



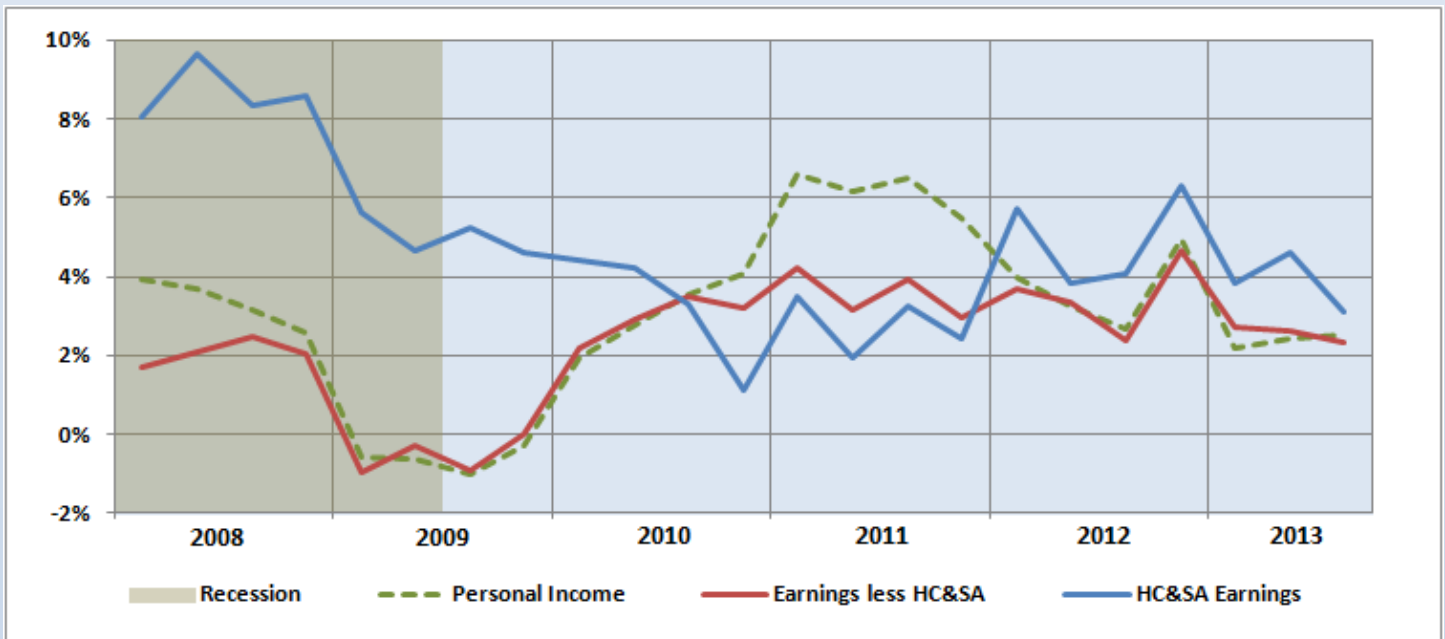
According to data released December 19, 2013 by the U.S. Bureau of Economic Analysis, earnings in Virginia’s HC&SA sector increased by \$87 million in Q3 2013 to \$25.08 billion. However, the preliminary estimate for Q2 2013 was revised downward by \$476 million, more than offsetting all the gains seen in Q3 2013. With this revision, HC&SA earnings fell by \$319 million during the second quarter. Regardless, Virginia’s HC&SA earnings have still grown by 3.0% over the past year.

The four-quarter moving average in the quarterly change of HC&SA earnings fell by nearly one-third in Q3 2013 from \$264 million to \$180 million. This represents the lowest value for the four-quarter moving average in the quarterly change of HC&SA earnings since Q4 2011, when the moving average fell to \$131 million. Despite this decline, however, Virginia’s HC&SA earnings have increased by more than \$1 billion over the past five quarters.

Virginia HC&SA Earnings Growth Rate

In Q3 2013, the four-quarter moving average of the HC&SA earnings growth rate fell to 3.1%. Since reaching a high of 6.3% in Q4 2012, the four-quarter moving average of the HC&SA earnings growth rate has fallen by more than half and is close to falling below 3% for the first time in nearly two years. Even with this decline, however, the four-quarter moving average of the HC&SA earnings growth rate continues to exceed the equivalent values for non-HC&SA earnings and personal income, a trend that started back in Q1 2012. Meanwhile, the four-quarter moving average of non-HC&SA earnings also fell in Q3 2013 to 2.3%. This is the third consecutive quarter in which the four-quarter moving average of non-HC&SA earnings has declined, falling by nearly half since Q4 2012. However, personal income was able to buck the trend in Q3 2013; its four-quarter moving average managed a modest increase of 0.1% to 2.5%.

Figure 2: Earnings Growth Rate, 4-Quarter Moving Average (Annualized)



Virginia HC&SA Growth Rate by Earnings Type

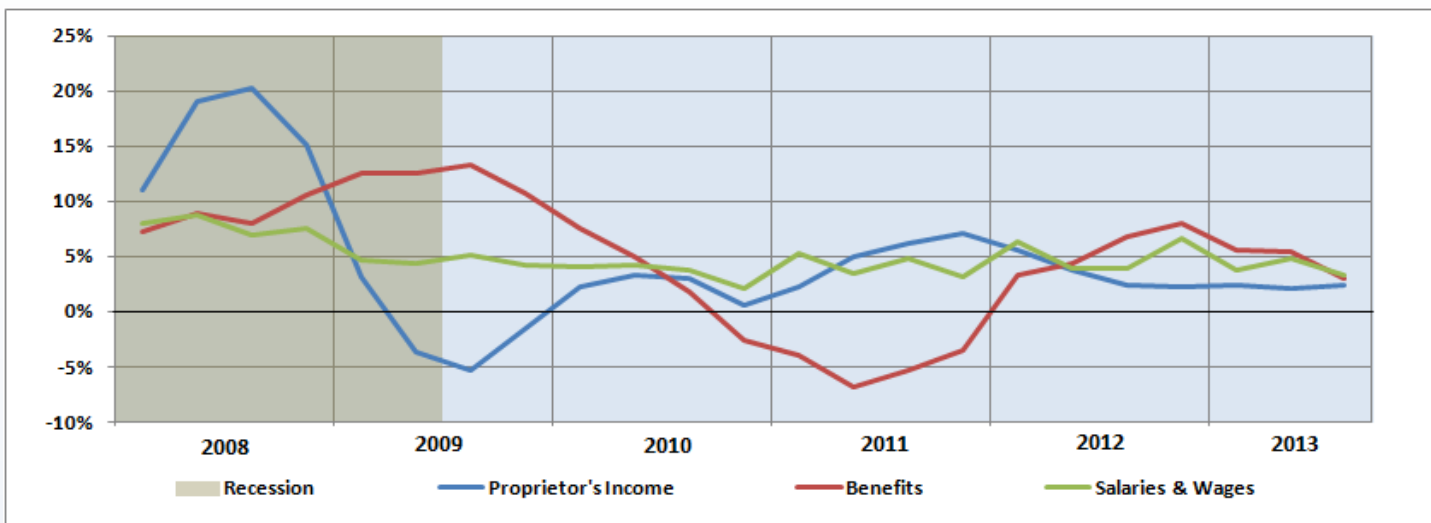


Figure 2: Earnings Growth Rate, 4-Quarter Moving Average (Annualized)

Q3 2013 saw a significant drop in the four-quarter moving average of the earnings growth rate for both employee benefits and salaries & benefits. The four-quarter moving average in the growth rate for benefits fell from 5.4% to 3.1%, while the equivalent rate for salaries & wages fell from 4.8% to 3.3%. Both of these values have reached their lowest levels in nearly two years. However, the four-quarter moving average of the earnings growth rate in proprietor's income managed to increase slightly during the quarter from 2.2% to 2.4%. Regardless, the four-quarter moving average of the earnings growth rate in proprietor's income has dropped significantly since reaching a five-year high of 7.0% in Q4 2011. In addition, the four-quarter moving average for proprietor's income has lagged employee compensation for six consecutive quarters.

Annual Growth by Earnings Type

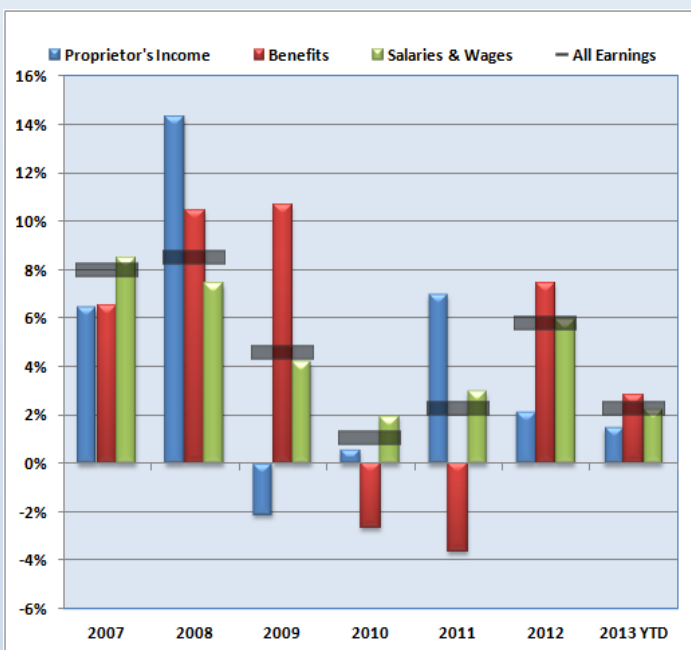


Figure 3: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

The most significant trend in 2013 with respect to HC&SA earnings has been the decline in the growth rate for both forms of employee compensation. In 2012, employee benefits grew by 7.4%, while salaries & wages grew by 5.9%. However, so far in 2013, both of these forms of earnings are growing at only one-third the rate of the previous year. Regardless, benefits and salaries & wages are still growing faster than proprietor's income, which is currently growing at a year-to-date annualized rate of just 1.5%. This represents a decline of almost 80% since 2011, when proprietor's income grew by 7.0%.

Given the decline in the growth rate of employee compensation this year, the growth of total HC&SA earnings has also seen a considerable decline in 2013. At a growth rate of 2.2%, total HC&SA earnings is currently growing at its second slowest annual rate in the past decade; in 2010, the growth rate was just 1.1%.

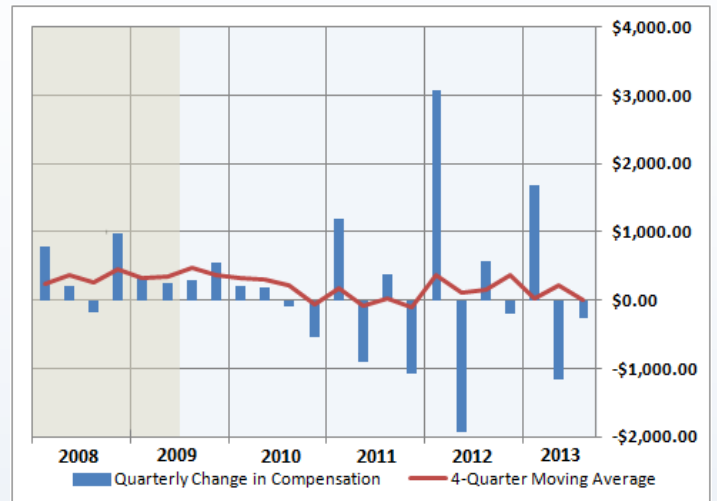
| Earnings Type | Level (Millions) | Share |
|---------------------|------------------|---------------|
| Proprietor's Income | 2,259 | 9.0% |
| Benefits | 3,737 | 14.9% |
| Salaries & Wages | 19,083 | 76.1% |
| Total | 25,079 | 100.0% |

HC&SA Compensation per Employee

According to Healthcare Workforce Data Center estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$56,212 (annualized) in Q3 2013. Note this figure includes salaries & wages plus the cost of benefits for employed persons only. Practitioners in private practice, which includes a large number of the sector’s highly paid professionals, are not included in this figure.

In Q3 2013, compensation per employee in Virginia’s HC&SA sector fell for the second consecutive quarter and for the third time in the last four quarters. These declines have driven down the four-quarter moving average in HC&SA employee compensation growth to \$8.92, its lowest level in nearly two years. However, despite the decline of \$274 during the quarter, total HC&SA compensation per employee has still grown by a modest 0.1% over the past year, thanks to an increase of \$1,676 in compensation per employee during Q1 2013.

Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.

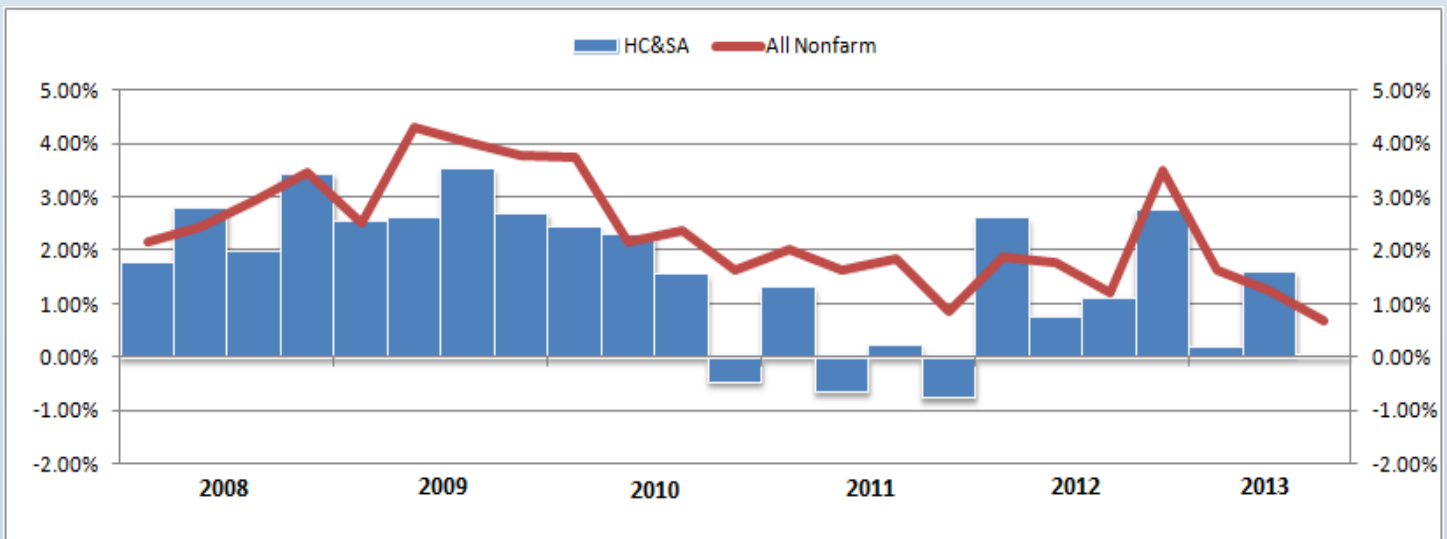


| | Q3 2010 | Q3 2011 | Q3 2012 | Q3 2013 |
|---------------------------|----------|----------|----------|----------|
| Compensation per Employee | \$55,427 | \$55,552 | \$56,176 | \$56,212 |

Compensation per Employee Growth Rate

The past several quarters have been marked by a significant decline in the year-over-year growth rate of HC&SA compensation per employee. In Q4 2012, the year-over-year growth rate in compensation per employee reached 2.8%, its highest value since Q3 2009. Since this time, however, the year-over-year growth rate has declined to just 0.1%, reaching lows not seen since 2011. The year-over-year growth rate in HC&SA compensation per employee has also fallen below the comparable rate for Virginia’s total nonfarm payroll, where compensation per employee is currently growing at a 0.7% annual rate. In fact, over the past six quarters, the year-over-year change in HC&SA compensation per employee has lagged behind the overall state average five times.

Figure 5: Year-Over-Year Change in Compensation Per Employee.



Definitions

Economic data in this briefing is from the US Bureau of Economic Analysis' Regional Economic Accounts. In particular, we use the Quarterly State Personal Income Accounts. The definitions provided here are written for a lay audience. More technical definitions and in-depth information on the Regional Economic Accounts are available on the BEA's website: <http://www.bea.gov/regional/about.cfm>.

Personal Income: Income received from all sources, including salaries & wages, benefits, business profits, rents, government payments or retirement and investment funds. Personal income is based on where recipients live.

Earnings: Earned income includes salaries & wages, benefits (aka supplements to wages and salaries) and proprietor's income. Earnings and its components are based on where recipients work.

Proprietor's Income: Income from small businesses (sole proprietorships & partnerships), corporate director's fees and tax-exempt cooperatives. It does NOT include dividends or interest received by non-financial businesses or rental income received by non-real estate businesses.

Compensation: Salaries & wages and benefits.

Benefits: Referred to as "supplements to wages and salaries by the BEA, benefits includes employer contributions to retirement funds, insurance (including health and life) and to government social insurance programs (e.g., unemployment insurance, Social Security, worker's compensation insurance, etc).

Salaries & Wages: Salaries, wages, commissions, bonuses and tips, before deductions, based on when payments are disbursed. The value of stock options are also included at the time the options are exercised.

Method of Estimating Compensation per Employee

The HWDC derives estimates of compensation per employee from two sources: 1) US Bureau of Economic Analysis' Regional Economic Accounts (REA), and, 2) the Current Establishment Survey (CES) administered jointly by the US Bureau of Labor Statistics and the US Census Bureau. These sources use different methodologies and different definitions. Although more vigorous estimates of employment are available, the HWDC uses these sources to provide the most timely indication of current trends possible at the state-industry level. The HWDC estimates are early indicators only.

To make the two data sources more comparable, the HWDC makes the following transformations:

CES: To obtain quarterly estimates of employment, monthly figures are averaged for the quarter. For nonfarm employment, we remove the latest available estimate of logging employment from the Quarterly Census of Employment and Wages, rounded to the nearest hundred, from nonfarm totals in the CES prior to averaging.

REA: From nonfarm compensation (or its components), we remove military earnings, agriculture, fishing and forestry earnings and an estimate of earnings from households. For household earnings estimates, we use the REA's Annual State Personal Income and Employment tables to develop current estimates of the proportion of "Other services, except public administration" compensation from employment in private households. We use the most recent data available for the current quarter. We apply this proportion to the current quarterly estimate of "Other services, except public administration".

Despite these transformations, the figures are not wholly comparable. The BEA makes additional adjustments to BLS data when creating its own, annual estimates of employment. Historical indicators are not adjusted by the HWDC, however adjustments made to REA or CES series are incorporated into historical data. For more information on employment data and the REA, see the BEA's *State Personal Income and Employment Methodology*, pages XI-1 to XI-11 & Table K.

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The Department of Health Professions Healthcare Workforce Data Center works to improve the data collection and measurement of Virginia's healthcare workforce through regular assessment of workforce supply and demand issues among the 80 professions and 350,000 practitioners licensed in Virginia by DHP.

The HWDC collects data on Virginia's licensed health professionals through surveys completed during the online license renewal and application process. Survey results and data may be accessed on our website: www.dhp.virginia.gov/hwdc/.

The HWDC also provides a series of Virginia Healthcare Workforce Briefs based on data collected by the US Department of Labor's Bureau of Labor Statistics and the US Department of Commerce' Bureau of Economic Analysis.

Virginia Healthcare Workforce Briefs:

Series 1: State & National Employment (Monthly)

Series 2: Virginia Regional Employment (Monthly)

Series 3: Income & Compensation (Quarterly)

About the Data

Data used in creating this report is from the US Department of Commerce' Bureau of Economic Analysis' Regional Economic Accounts. Unless otherwise noted, data is seasonally adjusted and annualized, and quarterly presentations are based on the calendar year. Data from recent quarters is preliminary and subject to revision in future releases from the BEA. Revisions will be reported in future editions of this series.

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