



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 17

December 2015

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Highlights

- ◆ In addition to the new income and compensation estimates for Q3 2015 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for the first two quarters of 2015.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$330 million to \$26.88 billion in Q3 2015. This represents a three-month annualized growth rate of 5.1%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$311 million to \$24.58 billion in Q3 2015. This represents a three-month annualized growth rate of 5.2%.
- ◆ Virginia's HC&SA compensation per employee grew by \$786 to \$59,127 in Q3 2015. During the third quarter, Virginia's HC&SA compensation per employee grew at a 5.5% annualized rate, which is higher than the national average for the HC&SA sector of 4.4%.

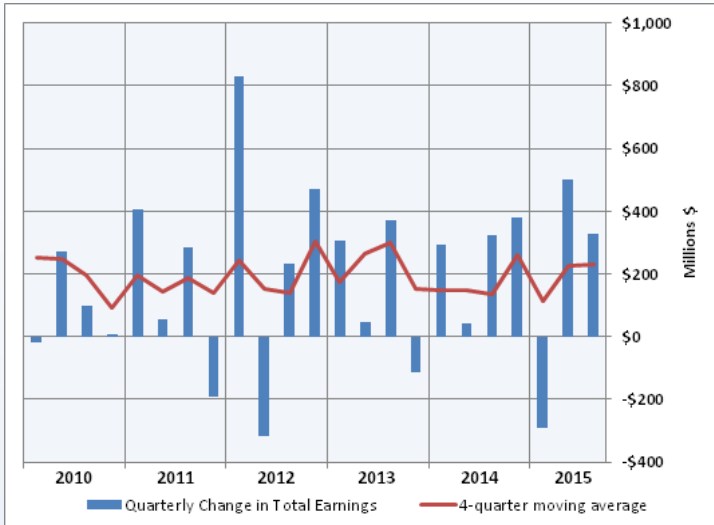
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2014	Q1 2015	Q2 2015	Q3 2015	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$294,334	\$298,774	\$304,125	\$307,668	4.5%	6.0%	4.7%
National	\$10,636,700	\$10,883,959	\$10,968,808	\$11,118,941	4.5%	5.3%	5.6%
Health Care & Social Assistance Earnings							
Virginia	\$25,958	\$26,045	\$26,546	\$26,876	3.5%	6.5%	5.1%
National	\$1,153,235	\$1,174,430	\$1,191,437	\$1,210,307	4.9%	6.2%	6.5%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$23,765	\$23,794	\$24,268	\$24,579	3.4%	6.7%	5.2%
National	\$1,033,279	\$1,051,291	\$1,066,819	\$1,084,647	5.0%	6.4%	6.9%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$58,119	\$57,706	\$58,341	\$59,127	1.7%	5.0%	5.5%
National	\$57,149	\$57,342	\$57,575	\$58,201	1.8%	3.0%	4.4%

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.



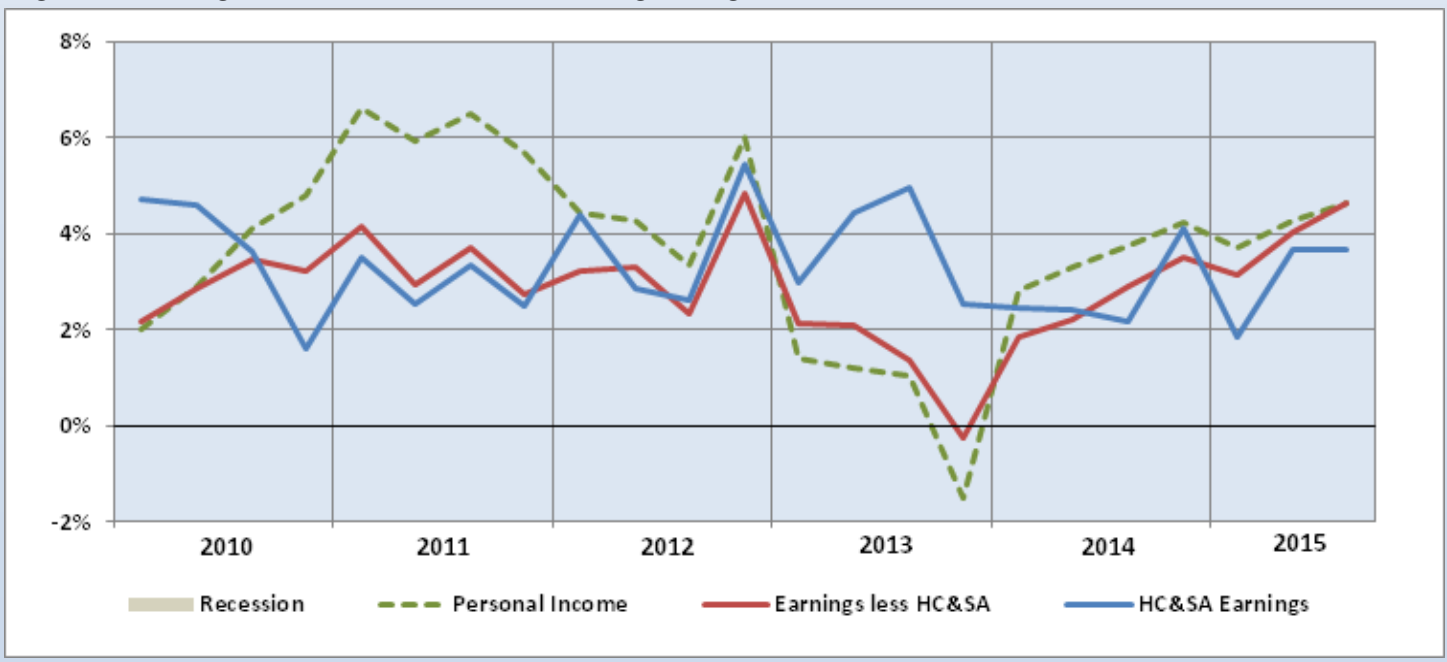
According to data released on Monday, December 21, 2015 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector grew by \$330 million in Q3 2015 to \$26.88 billion. This quarterly gain represents an annualized growth rate of 5.1%. Although this is below the national average of 6.5% for Q3 2015, this figure still represents an improvement relative to the 3.5% growth rate of Virginia’s HC&SA earnings over the past 12 months. In addition, the four-quarter moving average of the level change in total HC&SA earnings increased slightly during the quarter to \$229.5 million.

So far in 2015, total earnings in Virginia’s HC&SA sector have grown by \$538 million. This total, which was hurt by the loss of \$293 million during Q1 2015, represents the smallest gain through the first three quarters of a year since 2010, when total HC&SA earnings had only risen by \$352 million.

Virginia HC&SA Earnings Growth Rate

Despite the gain in the state’s HC&SA earnings in Q3 2015, the four-quarter moving average of its growth rate dipped slightly during the quarter from 3.67% to 3.65%. Regardless, this still represents a marked improvement relative to the year-ago period in which the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings was just 2.19%. Meanwhile, the four-quarter moving average of the growth rate in both personal income and non-HC&SA earnings improved during the quarter to 4.65% and 4.64%, respectively. Both of these results represent highs not seen in nearly three years. With this result, the four-quarter moving average of the growth in Virginia’s non-HC&SA earnings has now exceeded the comparable rate for the state’s HC&SA earnings for three consecutive quarters, a gap that widened to nearly a full percentage point during the quarter.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

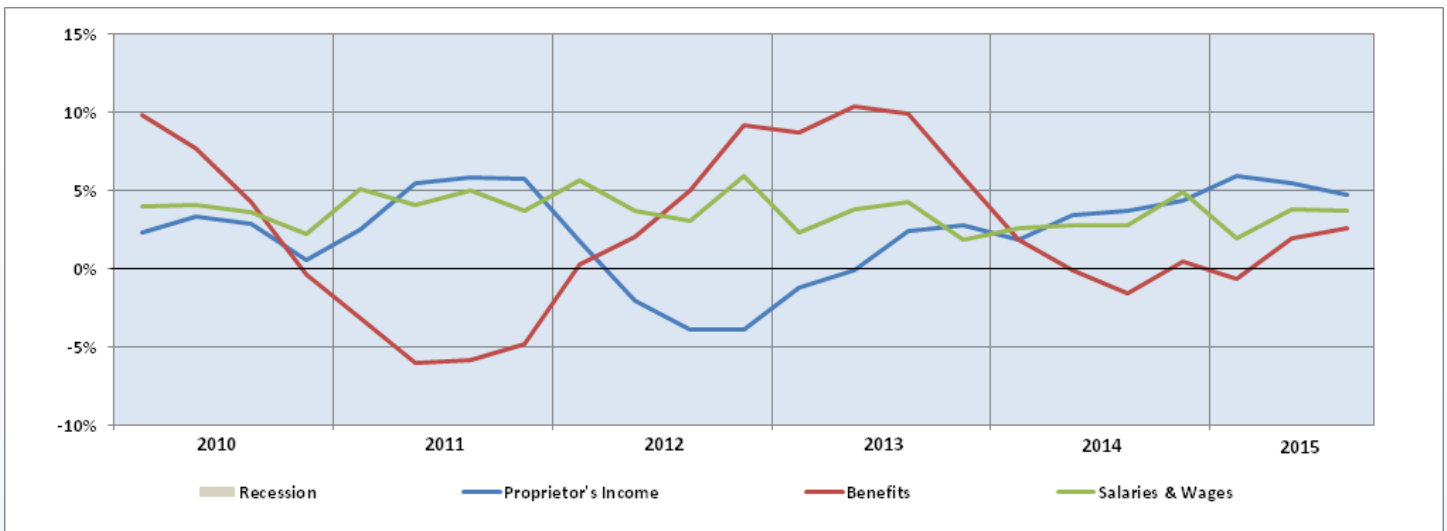


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

For the third consecutive quarter, the four-quarter moving average of the growth rate in proprietor’s income exceeds the corresponding growth rates for both forms of employee compensation. Although the four-quarter moving average for the growth rate of proprietor’s income in the HC&SA sector fell during Q3 2015, it still remains at a healthy level of 4.75%. The four-quarter moving average of the growth rate in HC&SA salaries & wages also fell during the quarter, but this drop was quite modest from 3.82% to 3.76%. Meanwhile, the growth of employee benefits continues to improve, even if it still lags behind the other forms of HC&SA earnings. During Q3 2015, the four-quarter moving average of the growth rate for HC&SA employee benefits increased to a nearly two-year high of 2.38%.

Annual Growth by Earnings Type

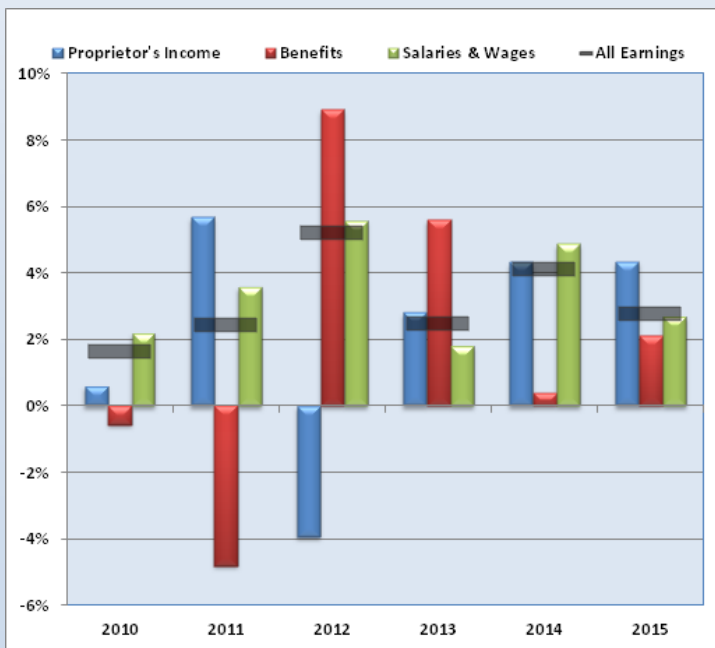


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

If present trends continue, Virginia’s total HC&SA earnings will grow at a 2.7% rate in 2015. This would represent a significant slow down relative to the previous year in which total HC&SA earnings grew by 4.1%. This slowdown is attributable to the declining growth in employee salaries & wages. In 2014, HC&SA employees saw their salaries & wages increased by 4.9%, but this has fallen to a 2.7% annualized rate this year. At the same time, however, HC&SA employees have recovered some of this lost growth through an improvement in benefits. After barely growing at all in 2014 with a growth rate of just 0.4%, the growth in HC&SA employee benefits has picked up noticeably in 2015 with a current annualized growth rate of 2.1%. As for proprietor’s income, this earnings type has seen no change in its growth rate from 2014. HC&SA proprietor’s income grew by 4.3% in 2014, which is also its current 2015 annualized growth rate.

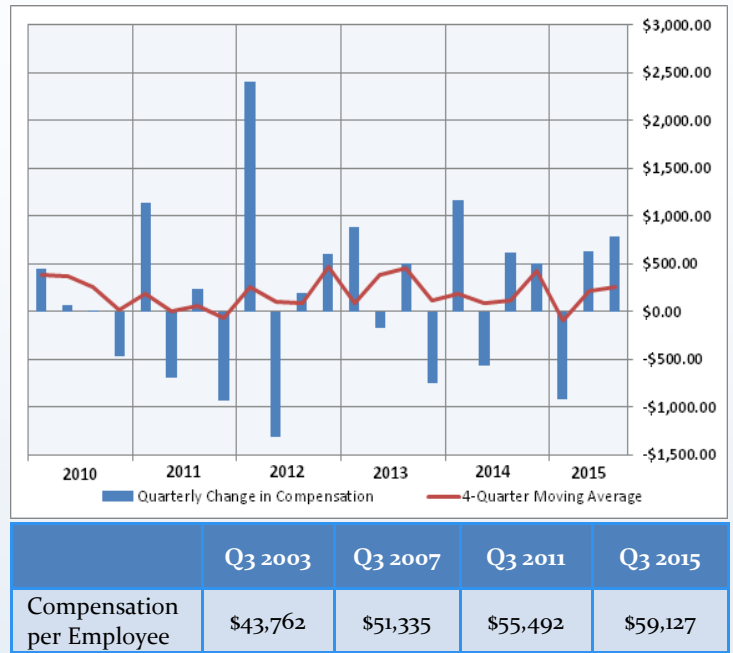
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,297	8.5%
Benefits	\$4,078	15.2%
Salaries & Wages	\$20,501	76.3%
Total	\$26,876	100%

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 \$59,127 (annualized) in Q3 2015. 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.

During Q3 2015, Virginia’s HC&SA compensation per employee increased by \$786. This represents a three-month annualized growth rate of 5.5%, which exceeds the national average by more than a full percentage point. Not only does this follow an impressive \$635 increase during the previous quarter, but it also represents the largest quarterly gain in the state’s HC&SA compensation per employee since Q1 2014. Thanks to this growth, Virginia’s HC&SA compensation per employee has now grown by an average of \$252 per quarter over the past year.

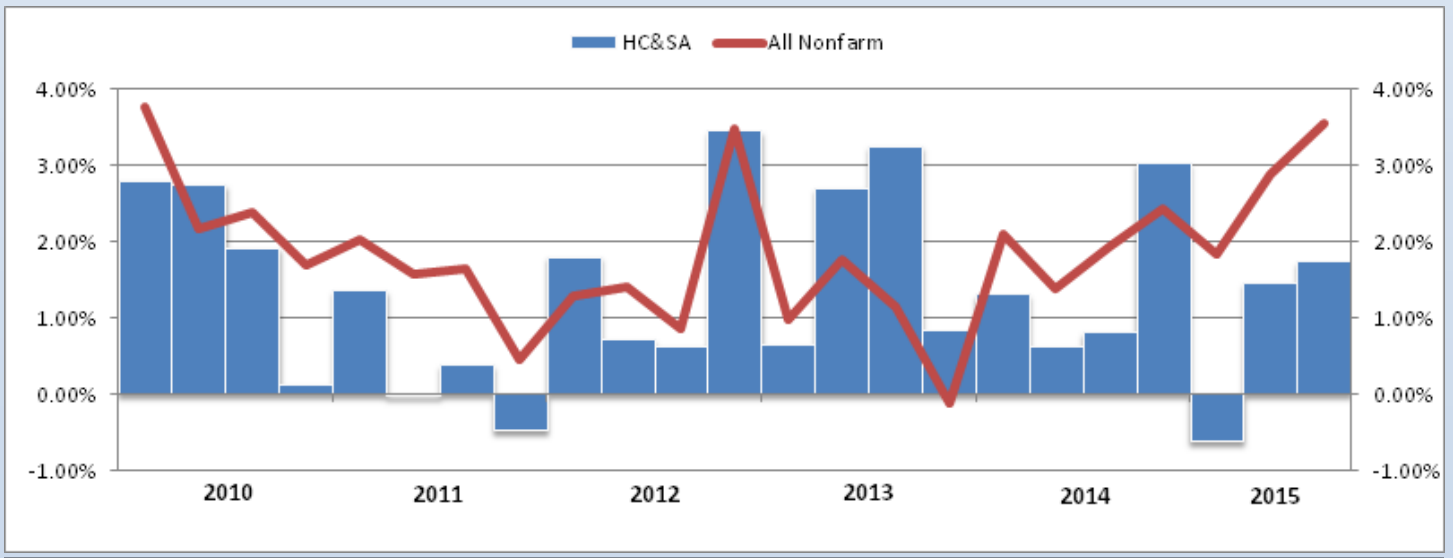
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

Throughout all of 2015, the year-over-year growth rate in compensation per employee for Virginia’s total nonfarm payroll has exceeded the comparable rate for the state’s HC&SA sector, and this trend continued unabated during the third quarter. In Q3 2015, the year-over-year growth rate in Virginia’s total nonfarm payroll compensation per employee increased from 2.88% to 3.55%. This represents the highest year-over-year growth rate for compensation per employee in the state’s total nonfarm payroll since 2010. Meanwhile, the year-over-year growth rate of HC&SA compensation per employee increased as well during the quarter, although its gain was more modest as the rate trended higher from 1.46% to 1.73%. Still, this current level represents a year-to-date high for Virginia’s HC&SA sector.

Figure 6: 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)

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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.
