



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 18

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Highlights

- ◆ In addition to the new income and compensation estimates for Q4 2015 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for Q1-Q3 2015.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$292 million to \$27.55 billion in Q4 2015. This represents a three-month annualized growth rate of 4.4%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$268 million to \$25.21 billion in Q4 2015. This represents a three-month annualized growth rate of 4.4%.
- ◆ Virginia's HC&SA compensation per employee grew by \$153 to \$59,232 in Q4 2015, which represents a three-month annualized growth rate of 1.0%. Meanwhile, national HC&SA compensation per employee experienced a modest decline of \$6 to \$58,032 during the quarter.

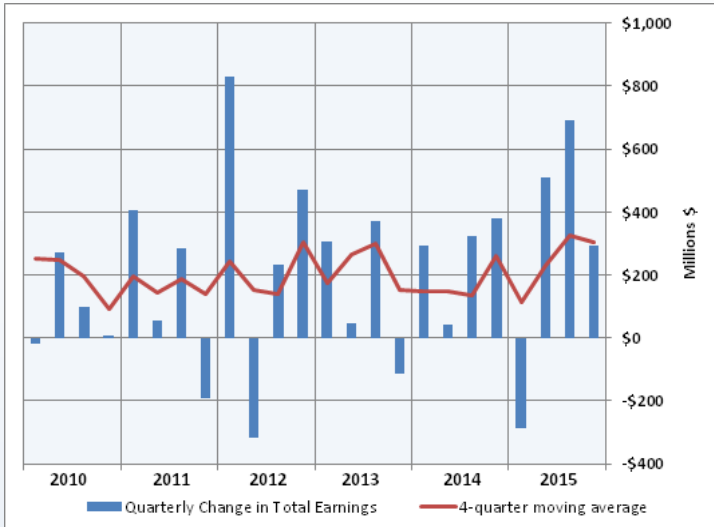
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q4 2014	Q2 2015	Q3 2015	Q4 2015	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$297,654	\$303,758	\$307,774	\$311,447	4.6%	5.1%	4.9%
National	\$10,791,814	\$10,979,366	\$11,088,006	\$11,193,495	3.7%	3.9%	3.9%
Health Care & Social Assistance Earnings							
Virginia	\$26,338	\$26,561	\$27,254	\$27,546	4.6%	7.6%	4.4%
National	\$1,167,839	\$1,191,422	\$1,208,381	\$1,224,151	4.8%	5.6%	5.3%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$24,113	\$24,283	\$24,939	\$25,207	4.5%	7.8%	4.4%
National	\$1,046,119	\$1,066,804	\$1,081,735	\$1,096,156	4.8%	5.6%	5.4%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$58,598	\$58,228	\$59,078	\$59,232	1.1%	3.5%	1.0%
National	\$57,320	\$57,585	\$58,037	\$58,032	1.2%	1.6%	0.0%

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.



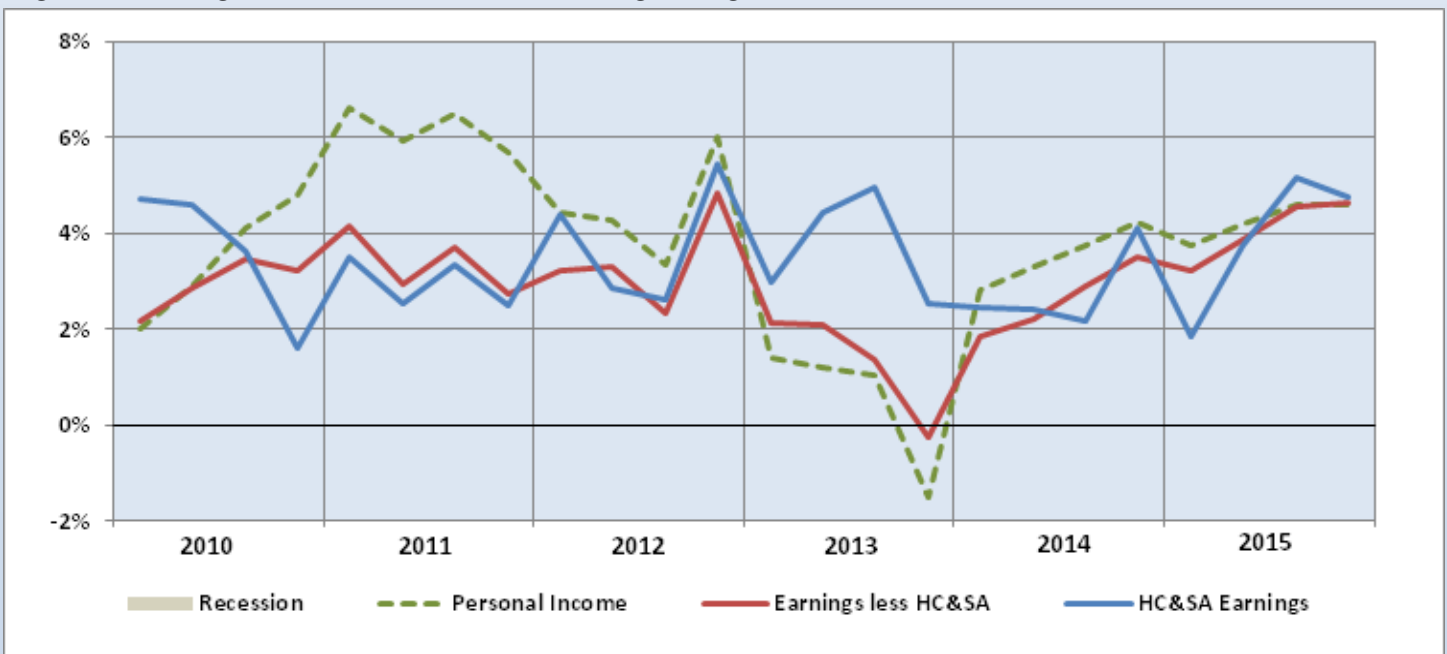
According to data released on Thursday, March 24, 2016 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$292 million in Q4 2015 to \$27.54 billion. This increase represents a three-month annualized growth rate of 4.4%, which was below the 5.3% national average for the HC&SA sector in Q4 2015.

Regardless, total earnings in Virginia’s HC&SA sector have now grown in each of the past three quarters. In addition, even including the Q1 2015 loss of \$288 million, total earnings in the state’s HC&SA sector grew by \$1.21 billion in 2015. This represents the best yearly gain in total HC&SA earnings since 2012. However, even with this performance, the 4.6% annual growth rate in Virginia’s total HC&SA earnings actually lags slightly behind the corresponding 4.8% growth rate for the national HC&SA sector.

Virginia HC&SA Earnings Growth Rate

After reaching a nearly three-year high of 5.15% in Q3 2015, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings dipped to 4.75% in Q4 2015. Even with this fall, however, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings increased dramatically in 2015. For instance, at the beginning of the year, this moving average was only at 1.87%, which represented a four-year low. The four-quarter moving average of the growth rate in personal income also experienced a slight dip in Q4 2015 from 4.60% to 4.58%. However, just like with the state’s total HC&SA earnings, personal income enjoyed strong growth in 2015. The same can also be said for non-HC&SA earnings, whose four-quarter growth rate moving average increased slightly during the quarter from 4.53% to 4.65%, which represents a three-year high.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

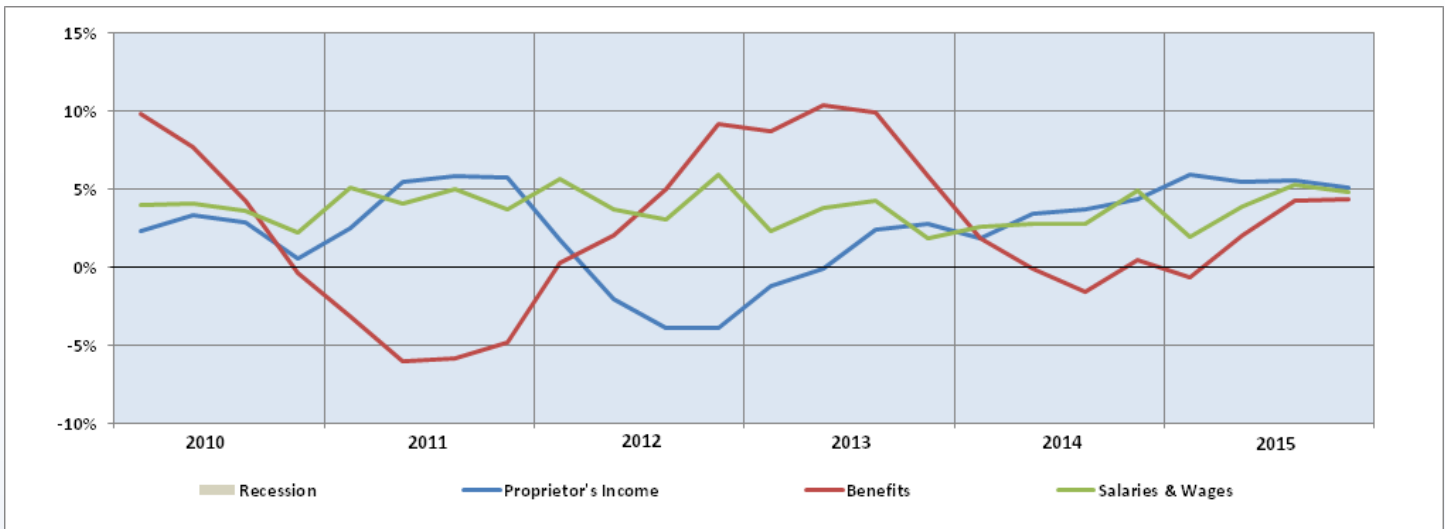


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

The four-quarter moving average of the growth rate in proprietor’s income fell during Q4 2015 from 5.57% to 5.13%, but it still remains the fastest-growing earnings type in Virginia’s HC&SA sector. In fact, proprietor’s income has been growing faster than both forms of employee compensation throughout 2015. Regardless, HC&SA employee compensation is still growing at a very healthy rate. Although the four-quarter moving average of the growth rate in HC&SA salaries & wages fell from 5.31% to 4.80% in Q4 2015, this still represents a marked improvement from the 1.94% growth rate at the beginning of the year. The improvement in HC&SA employee benefits has been even more profound. After dipping to -0.61% in Q1 2015, the four-quarter moving average of the growth rate in employee benefits reached 4.37% in Q4 2015.

Annual Growth by Earnings Type

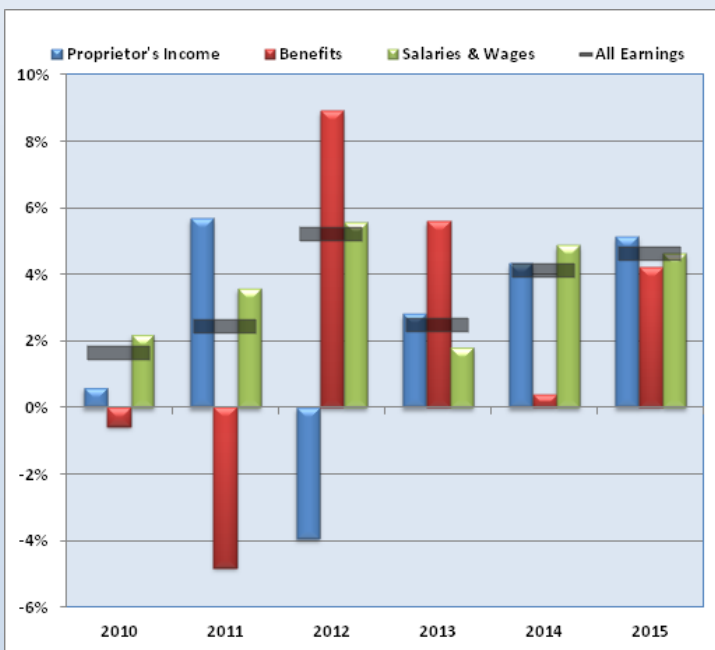


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In 2015, total HC&SA earnings in Virginia grew by 4.6%, its highest annual rate since 2012. With a growth rate of 5.1%, proprietor’s income in the HC&SA sector was the largest contributor to this overall growth. Not only does this represents the fastest yearly growth for proprietor’s income in four years, it also represents the third consecutive year in which the growth rate of proprietor’s income has exceeded the overall growth rate for Virginia’s HC&SA earnings. At the same time, the growth in HC&SA employee compensation was also quite impressive. Employee salaries & wages saw a slight slowdown in its growth rate relative to 2014, but they still increased by 4.6%. Meanwhile, employee benefits experienced a significant surge in its annual growth rate. Whereas employee benefits only grew by 0.4% in 2014, its growth rate jumped up to 4.2% in 2015. Regardless, employee benefits have still recorded below-average growth for each of the past two years.

Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,339	8.5%
Benefits	\$4,184	15.2%
Salaries & Wages	\$21,023	76.3%
Total	\$27,546	100%

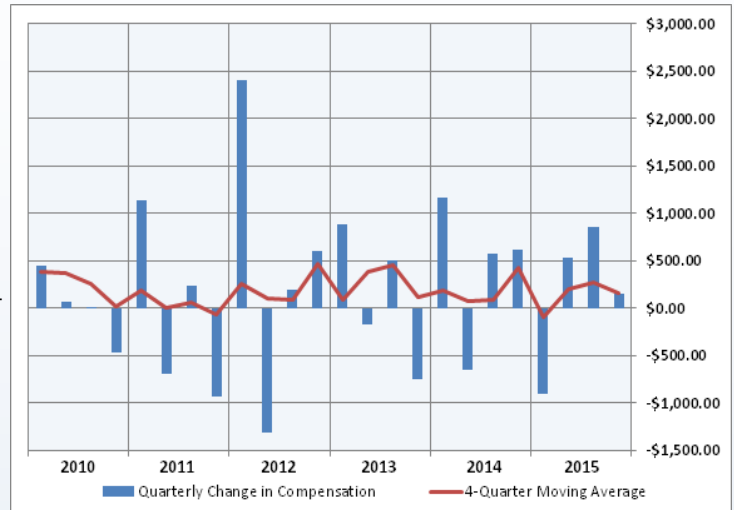
HC&SA Compensation per Employee

According to Healthcare Workforce Data Center estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$59,232 (annualized) in Q4 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.

In Q4 2015, HC&SA compensation per employee in the state increased by \$153.12, which represents a three-month annualized growth rate of 1.0%. Despite this relatively modest growth, it still exceeds the corresponding growth rate for the national HC&SA sector. National HC&SA compensation per employee fell by \$6 during the quarter. However, it has still grown by 1.2% over the past year.

In 2015, HC&SA compensation per employee in Virginia increased by \$633.80. This represents a 1.1% annual growth rate, which is slightly below the national average of 1.2%.

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

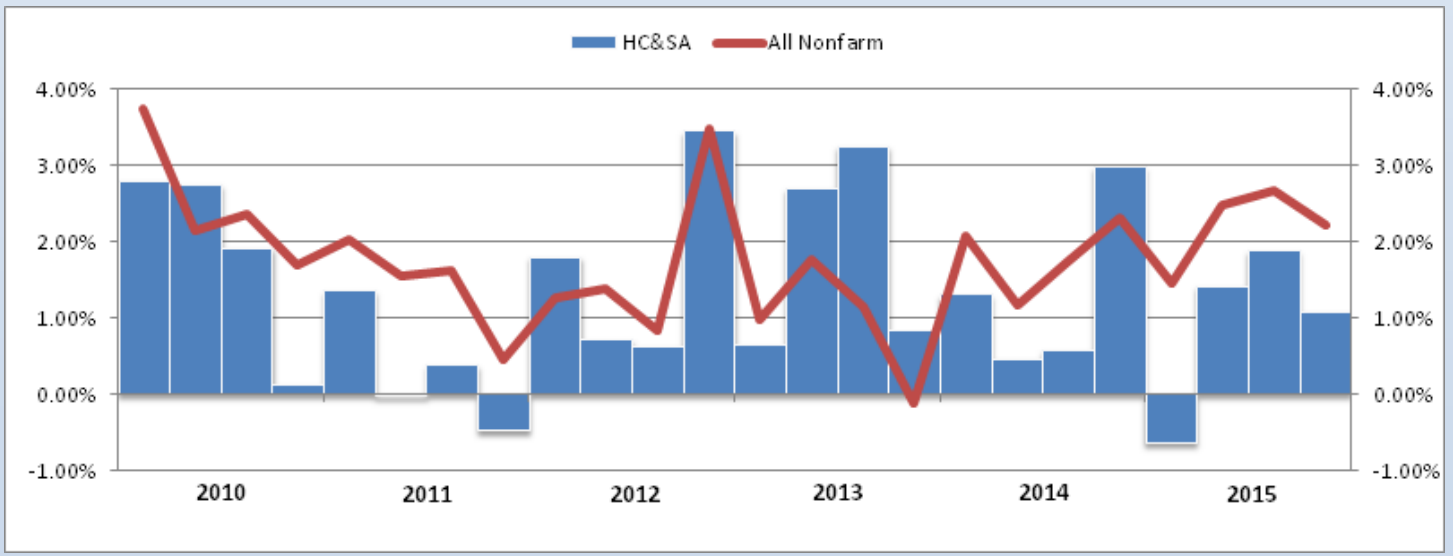


	Q4 2003	Q4 2007	Q4 2011	Q4 2015
Compensation per Employee	\$44,574	\$51,469	\$54,551	\$59,232

Compensation per Employee Growth Rate

For the fourth consecutive quarter, the year-over-year growth rate of compensation per employee for Virginia’s total nonfarm payroll has exceeded the comparable growth rate for the state’s HC&SA compensation per employee. In Q4 2015, the year-over-year growth rate of compensation per employee in Virginia’s total nonfarm payroll fell from 2.67% to 2.22%. The year-over-year growth rate in Virginia’s HC&SA compensation per employee experienced an even steeper drop from 1.88% to 1.08%. Although the current year-over-year growth rates in compensation per employee for both Virginia’s total nonfarm payroll and its HC&SA sector are solid, both growth rates were higher in the same period one year ago. In Q4 2014, the comparable growth rates were 2.31% for the state’s total nonfarm payroll and 2.98% for the state’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.