



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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Highlights

- ◆ The BEA publishes annual revisions in September. This briefing incorporates the 2012 revisions, which affected previously reported results as far back as Q1 2009.
- ◆ Total earnings in Virginia's HC&SA sector rose by \$204 million in Q2 2012 to \$24.809 billion, which represents an annualized quarterly growth rate of 3.4%.
- ◆ Total compensation in Virginia's HC&SA sector rose by \$198 million to \$22.471 billion in Q2 2012, which represents an annualized quarterly growth rate of 3.6%.
- ◆ Compensation per Employee rose by \$307 in Virginia's HC&SA sector, reaching \$57,628, which represents an annualized quarterly growth rate of 2.2%.
- ◆ Virginia's HC&SA sector accounts for 11.53% of private earnings in the state, 8.62% of all earnings, and 6.44% of the Commonwealth's personal income.

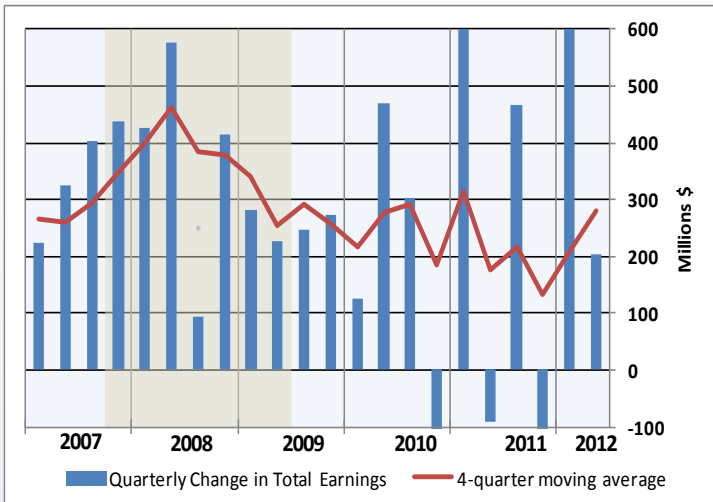
The calendar year is the basis for quarters in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2011	Q4 2011	Q1 2012	Q2 2012	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$279,307	\$281,932	\$285,394	\$287,778	3.0%	4.2%	3.4%
National	\$9,445,231	\$9,505,459	\$9,688,375	\$9,767,174	3.4%	5.6%	3.3%
Health Care & Social Assistance Earnings							
Virginia	\$23,685	\$23,657	\$24,605	\$24,809	4.7%	10.0%	3.4%
National	\$1,043,057	\$1,044,727	\$1,062,644	\$1,072,017	2.8%	5.3%	3.6%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$21,415	\$21,370	\$22,273	\$22,471	4.9%	10.6%	3.6%
National	\$921,945	\$922,695	\$938,247	\$947,237	2.7%	5.4%	3.9%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$56,055	\$55,063	\$57,321	\$57,628	2.8%	9.5%	2.2%
National	\$55,513	\$54,857	\$55,698	\$56,066	1.0%	4.5%	2.7%

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.



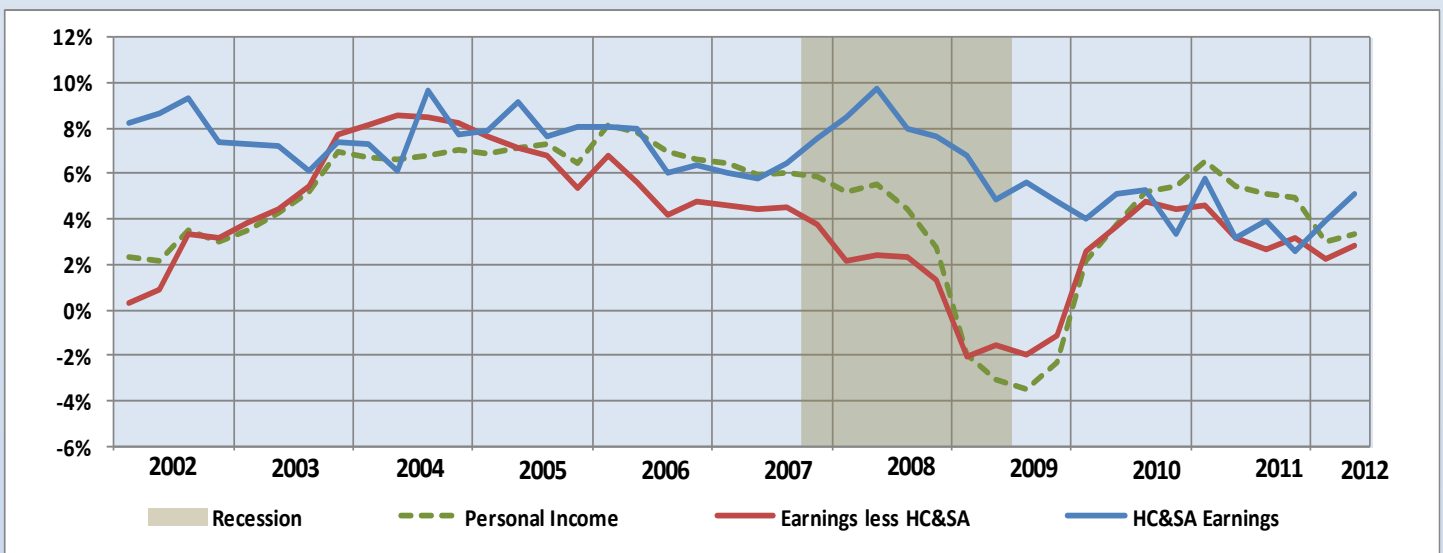
In the second quarter of 2012, total earnings in Virginia's Health Care and Social Assistance Sector (HC&SA) saw a quarter-over-quarter increase of \$204 million. This represents a significant deceleration in HC&SA earnings growth when compared to the first-quarter number of \$948 million.

Recent revisions to the quarterly change in total earnings suggest that earnings in the HC&SA sector were not as robust as previously thought. Early estimates indicated that earnings in Virginia's HC&SA sector grew in each quarter of 2011, but updated numbers now demonstrate that earnings actually fell in both the second and fourth quarters of the year. Given the relatively weak number in the fourth quarter of 2011, however, Virginia's second-quarter results helped to boost the four-quarter moving average of the quarterly change in total earnings to its highest level since the first quarter of 2011.

Virginia's HC&SA Earnings Growth Rate

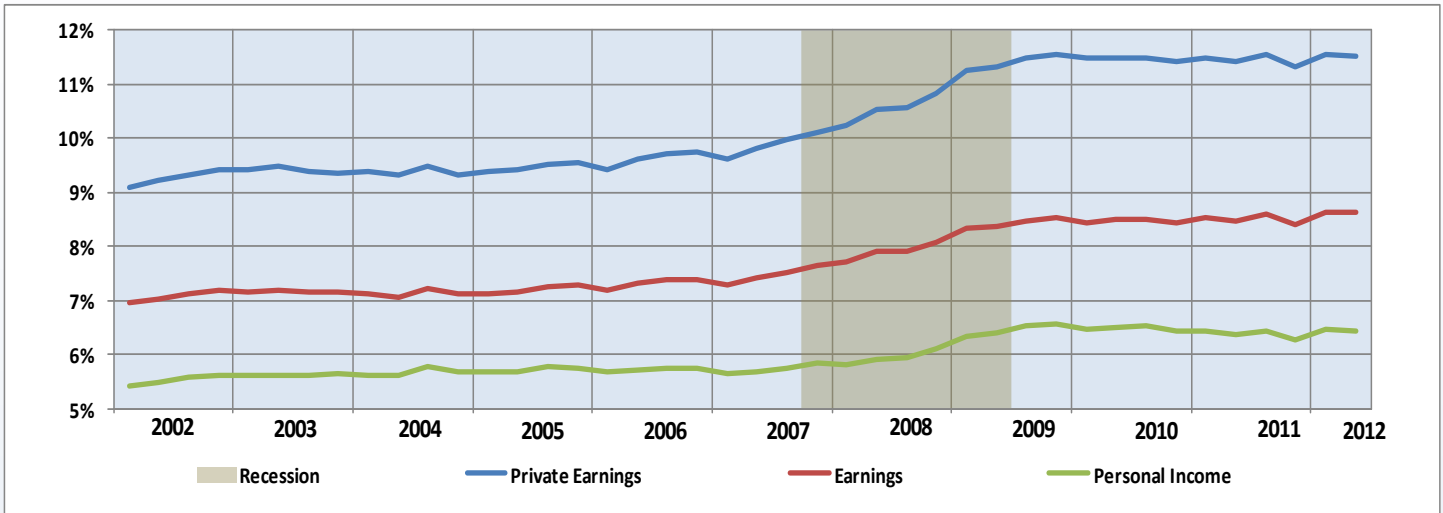
Ever since the end of the most recent economic recession in the third quarter of 2009, HC&SA earnings growth has been decelerating. At its peak, the four-quarter moving average of annualized earnings growth reached 9.71% in the second quarter of 2008, but this average fell to as low as 2.61% in the fourth quarter of 2011. With this decline in earnings growth, the four-quarter moving average of HC&SA earnings growth has converged to the growth rates of both non-HC&SA earnings growth and personal income. However, second-quarter results suggest that HC&SA earnings growth may once again be accelerating. In the second quarter of 2012, the four-quarter moving average for HC&SA earnings growth exceeded 5%, which was more than 1.5% above the corresponding rates for personal income and non-HC&SA earnings.

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



Share of Earnings

Figure 3: The Health Care and Social Assistance Sector’s Share of Earnings and Income in Virginia



Virginia’s HC&SA sector saw a significant increase in its share of both earnings and income during the 2007-2009 recession, but this trend has leveled off over the past three years as the economy rebounded from the worst of the financial crisis. With respect to private earnings, earnings and personal income, the share attributable to Virginia’s HC&SA sector has remained within an approximately 0.2% range from the end of the recession to the second quarter of 2012. This trend continued in the most recent quarter-over-quarter results, which were essentially flat.

Personal Income includes all income from all sources.

Earnings includes employee compensation and proprietors income. They do not include unearned income, such as non-business related interest, dividends, and rents, government payments, payments from pension funds, lawsuits, etc.

Private Earnings is all earnings less incomes from federal, state or local governments or the military. Private earnings include earnings from non-profits.

Historical Five-Year Growth Rates in Share of Private Earnings

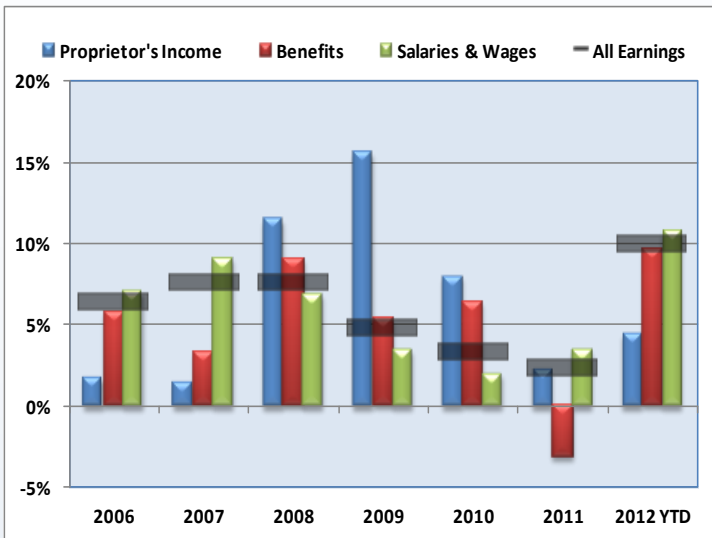
The following chart highlights the growing importance of the HC&SA sector to growth in Virginia’s economy. It shows the share of Virginia’s private earnings growth gained by industry over five-year periods. The chart includes the two fastest-growing industries over the period and the HC&SA industry. The HC&SA sector has seen significant acceleration in the five-year growth rates private earnings share over the past 15 years. With its current growth rate of 17.61% in the five-year period ending Q2 2012, the Health Care & Social Assistance sector has become the third fastest-growing sector in Virginia. This is especially significant considering it is the second largest sector as measured by share of private earnings.

Table 2: Virginia’s Largest Private Industries

Rank	Five Years Ending Q2 2002		Five Years Ending Q2 2007		Five Years Ending Q2 2012	
	Industry	Five-Year Share Growth	Industry	Five-Year Share Growth	Industry	Five-Year Share Growth
1	Finance/ Insurance	30.01%	Professional, Scientific & Technical Services	19.69%	Professional, Scientific & Technical Services	21.03%
2	Real Estate	24.86%	Enterprise Management	18.14%	Educational Services	17.62%
-	HC&SA	-2.56%	HC&SA	6.30%	HC&SA	17.61%

Growth by Earnings Type

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



HC&SA earnings are distributed among proprietors (which includes practitioners in private practice), employee benefits and employee salaries & wages. Growth of each earning type tends to vary dramatically and can represent a growth in the number of workers, a growth in individual incomes, or some combination of both.

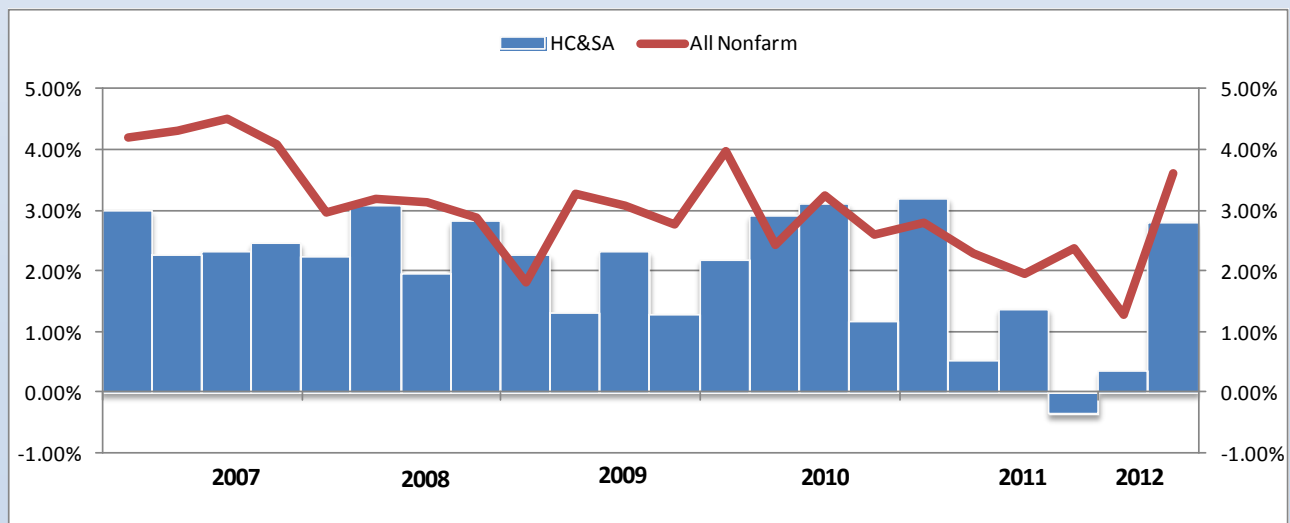
So far in 2012, the annualized growth rates in salaries/wages and benefits have outstripped proprietor's income in the HC&SA sector. The growth rate for employee compensation is currently growing at an approximately 10% annualized rate, while proprietor's income is growing at less than half of that rate. However, all earnings types are growing faster when compared to the prior year, which saw a significant downward revision in the BEA's latest estimates.

Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,338	9.4%
Benefits	\$3,821	15.4%
Salaries & Wages	\$18,650	75.2%
Total	\$24,809	100%

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 \$57,628 (annualized) in Q2 2012. 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. Compensation per employee in the HC&SA sector rose by \$306.88 in Q2 2012 over the previous quarter. Year-over-year, compensation per employee is up 2.81% or \$1,572.48 per employee. This represents the fastest year-over-year growth rate in HC&SA compensation per employee since Q1 2011, but this growth rate also represents the fifth consecutive quarter in which HC&SA compensation per employee lagged behind nonfarm payroll compensation.

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 are 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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