



# Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

**Series 3: Income & Compensation**

Series 3, Issue 32

September 2019

## Highlights

### Inside this Brief:

HC&SA Earnings	2
HC&SA Earnings Growth	2
Growth Rate by Earnings Type	3
Annual Growth by Earnings Type	3
Compensation per Employee	4
Compensation Growth	4

- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2019 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from as far back as Q1 1998.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$204 million to \$32.03 billion in Q2 2019. With this gain, Virginia's HC&SA sector has now increased total earnings for seven consecutive quarters.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$167 million to \$29.18 billion in Q2 2019. This gain represents a three-month annualized growth rate of 2.3%.
- ◆ Virginia's total HC&SA compensation per employee fell by \$309 to \$64,512 in Q2 2019. However, total HC&SA compensation per employee in the state has still increased by \$1,479 over the past year.

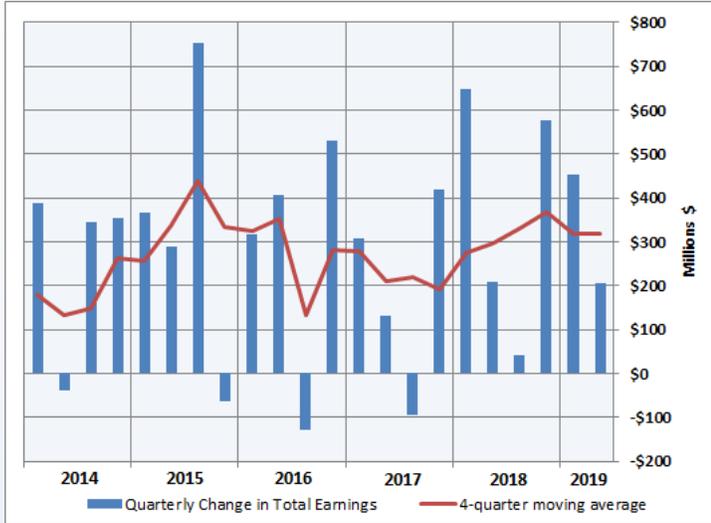
*The calendar year is the basis for data in this series. See Page 5 for additional information on this series.*

## Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2018	Q4 2018	Q1 2019	Q2 2019	Annual	6-Month	Quarterly
<b>Earnings (Personal income less rents, interest, dividends and government payments)</b>							
<b>Virginia</b>	\$334,644	\$341,312	\$346,171	\$350,455	4.7%	5.4%	5.0%
<b>National</b>	\$12,444,034	\$12,676,199	\$12,924,508	\$13,063,712	5.0%	6.2%	4.4%
<b>Health Care &amp; Social Assistance Earnings</b>							
<b>Virginia</b>	\$30,754	\$31,371	\$31,824	\$32,028	4.1%	4.2%	2.6%
<b>National</b>	\$1,372,953	\$1,404,729	\$1,427,171	\$1,436,218	4.6%	4.5%	2.6%
<b>Health Care &amp; Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages &amp; benefits)</b>							
<b>Virginia</b>	\$28,048	\$28,560	\$29,012	\$29,179	4.0%	4.4%	2.3%
<b>National</b>	\$1,239,353	\$1,265,961	\$1,288,365	\$1,295,573	4.5%	4.7%	2.3%
<b>Health Care &amp; Social Assistance Compensation per Employee (HWDC Estimate)</b>							
<b>Virginia</b>	\$63,034	\$64,031	\$64,822	\$64,512	2.3%	1.5%	-1.9%
<b>National</b>	\$62,343	\$62,748	\$63,725	\$63,488	1.8%	2.4%	-1.5%

## 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.**



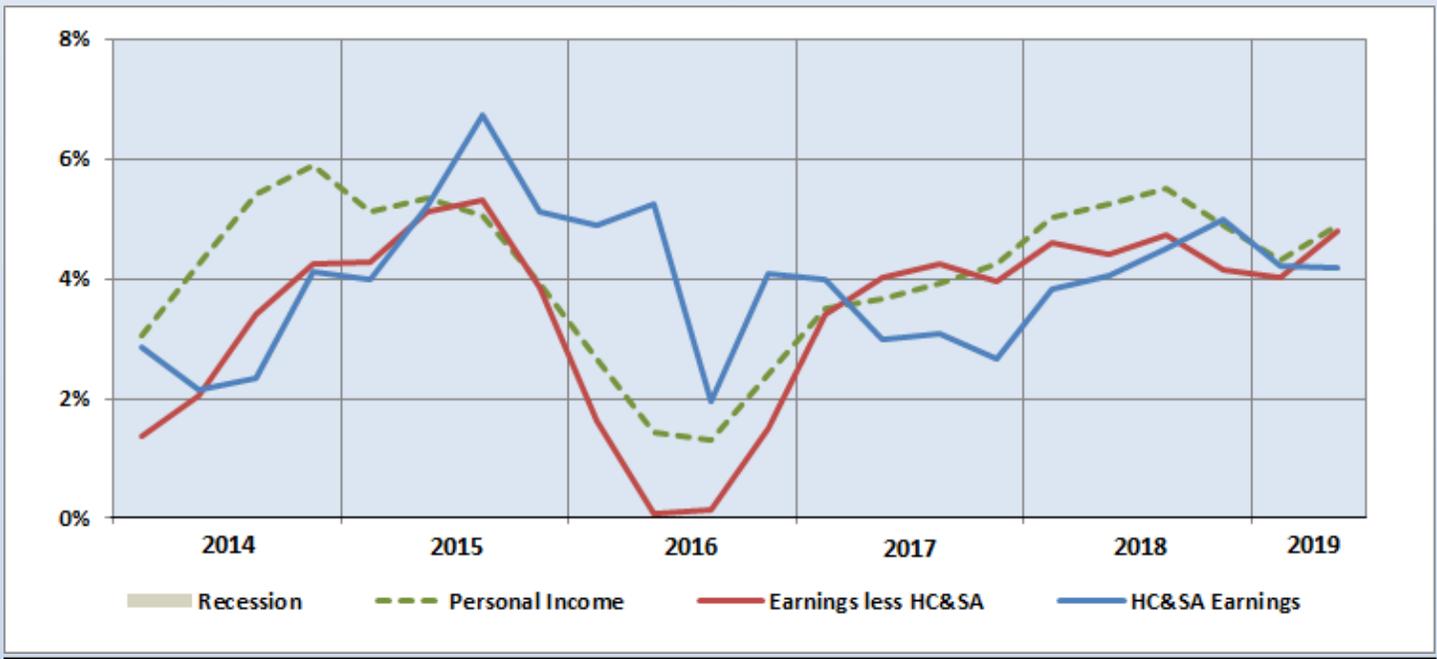
According to data released on Tuesday, September 24, 2019 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$204 million to \$32.03 billion in Q2 2019. This gain translates into a three-month annualized growth rate of 2.6%. This growth rate is below the long-term average for total HC&SA earnings in the state. Over the past year, Virginia’s total HC&SA earnings have increased by an average of \$319 million per quarter. This average quarterly gain translates into a 4.1% growth rate.

Although this quarter’s gain was well below its four-quarter moving average, it also represents the seventh consecutive quarter in which total HC&SA earnings in the state have increased. During these seven quarters of positive growth, total HC&SA earnings in Virginia have increased by \$2.55 billion.

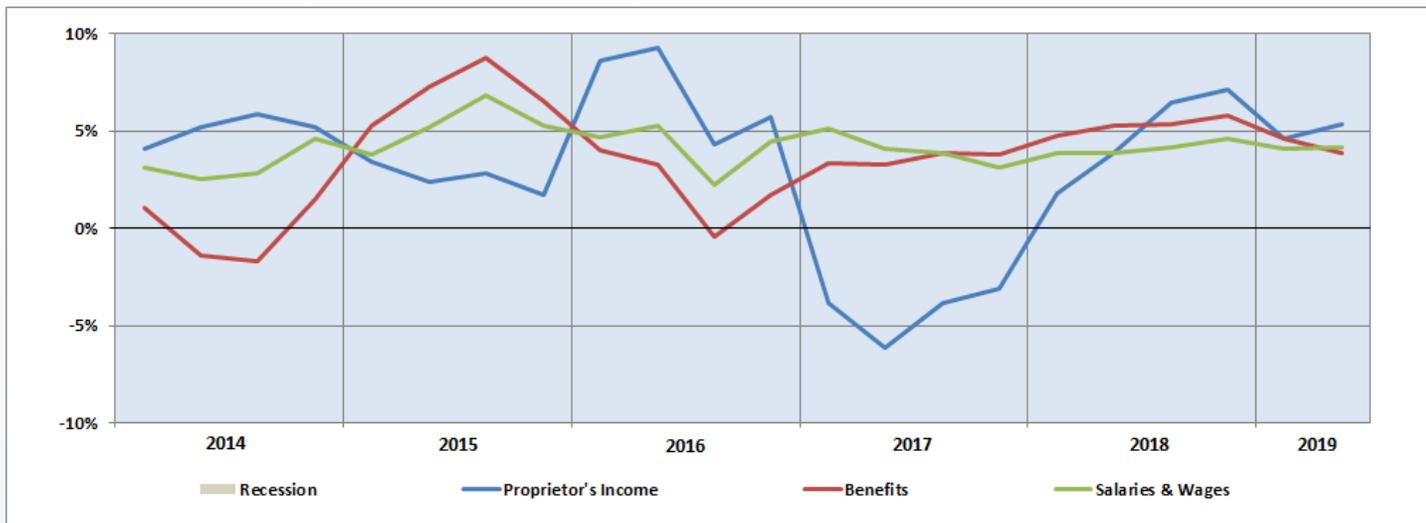
### Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings experienced a modest decline in Q2 2019 from 4.22% to 4.18%. With this fall, Virginia’s total HC&SA earnings are now growing at a slower average growth rate than either Virginia’s total non-HC&SA earnings or the state’s personal income. Both of these other forms of earnings experienced increases in their four-quarter growth rate moving averages in Q2 2019. Virginia’s total non-HC&SA earnings saw an increase in its four-quarter growth rate moving average from 4.01% to 4.80%. With this increase, the four-quarter moving average of the growth rate in Virginia’s total non-HC&SA earnings reached its highest value in nearly four years. Despite this increase, this is still below the comparable growth rate of the state’s personal income. In Q2 2019, the four-quarter moving average of the growth rate in Virginia’s personal income rose from 4.32% to 4.89%.

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



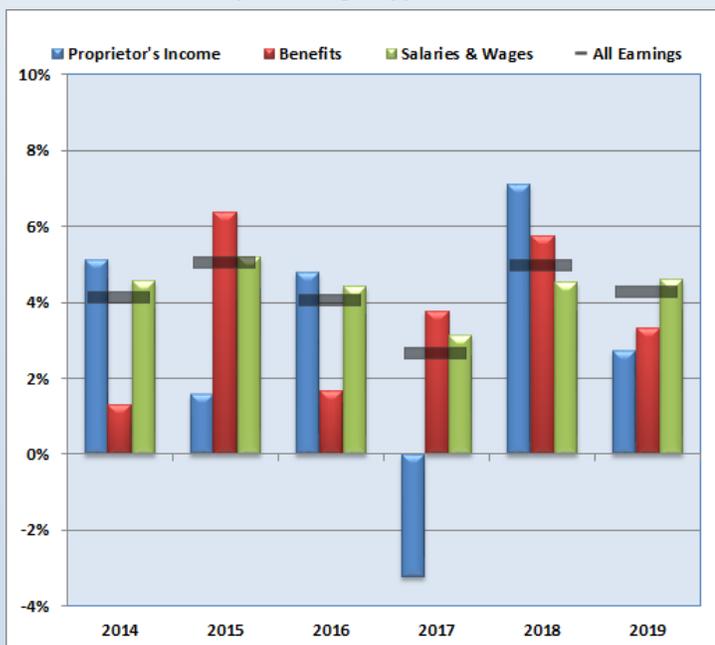
### Virginia HC&SA Earnings Growth Rate by Earnings Type



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

In Q1 2019, all three types of HC&SA earnings had four-quarter growth rate moving averages of between 4% and 5%. However, these moving averages began to diverge in Q2 2019. HC&SA proprietor's income experienced the most significant improvement during the quarter. This earnings type saw its four-quarter growth rate moving average increase from 4.60% to 5.34% in Q2 2019. This makes HC&SA proprietor's income the fastest-growing earnings type in the state with respect to its four-quarter growth rate moving average. HC&SA employee salaries & wages experienced a very modest increase in its own moving average during the quarter from 4.12% to 4.13%. Meanwhile, the four-quarter moving average of the growth rate of HC&SA employee benefits fell from 4.61% to 3.88%, thereby reaching its lowest value in one-and-a-half years.

### Annual Growth by Earnings Type



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

In 2018, HC&SA proprietor's income was the fastest-growing earnings type in the state with a 7.1% growth rate, while HC&SA employee salaries & wages was the slowest-growing earnings type with its annual growth rate of 4.5%. However, this situation has reversed itself so far in 2019. During the first half of this year, HC&SA employee salaries & wages have grown at a 4.6% annualized rate, thereby making it the fastest-growing earnings type in the state. While HC&SA employee salaries & wages have experienced a slight uptick in its growth rate in 2019, the comparable growth rate of HC&SA proprietor's income has fallen considerably over the same time period. So far in 2019, HC&SA proprietor's income in the state has grown at a 2.7% annualized rate. HC&SA employee benefits have also experienced a decline in its growth rate in 2019. Over the previous two quarters, HC&SA employee benefits in Virginia have grown at an annualized rate of 3.3%.

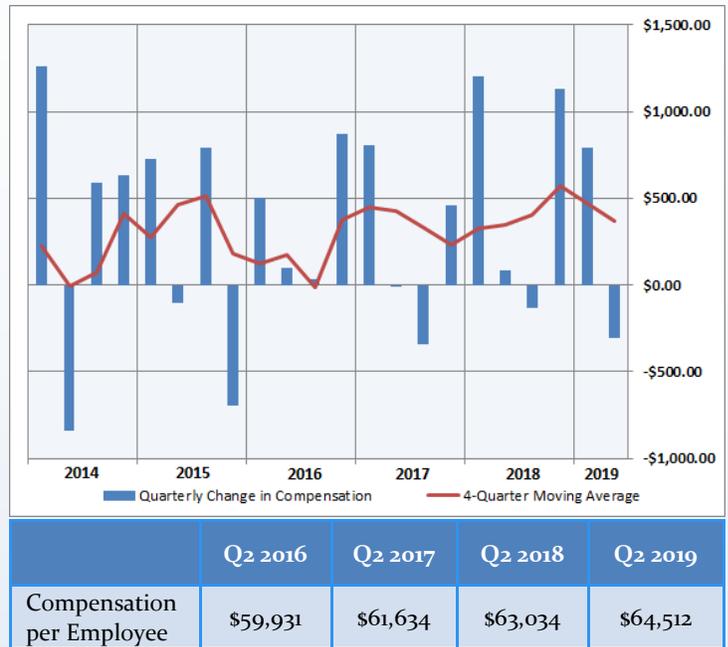
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,849	8.9%
Benefits	\$4,931	15.4%
Salaries & Wages	\$24,248	75.7%
<b>Total</b>	<b>\$32,028</b>	<b>100%</b>

### HC&SA Compensation per Employee

According to the Healthcare Workforce Data Center’s estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$64,512 (annualized) in Q2 2019. Note that 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.

For the first time since Q3 2018, there was a decline in total compensation per employee in Virginia’s HC&SA sector. In Q2 2019, total HC&SA compensation per employee fell by \$309, a decline that translates into a three-month annualized growth rate of -1.9%. With this fall, the four-quarter moving average of the change in Virginia’s total HC&SA compensation per employee fell to its lowest value in one year. Over the past 12 months, total HC&SA compensation per employee in Virginia has increased by an average of \$370 per quarter. This average gain translates into a 2.3% growth rate.

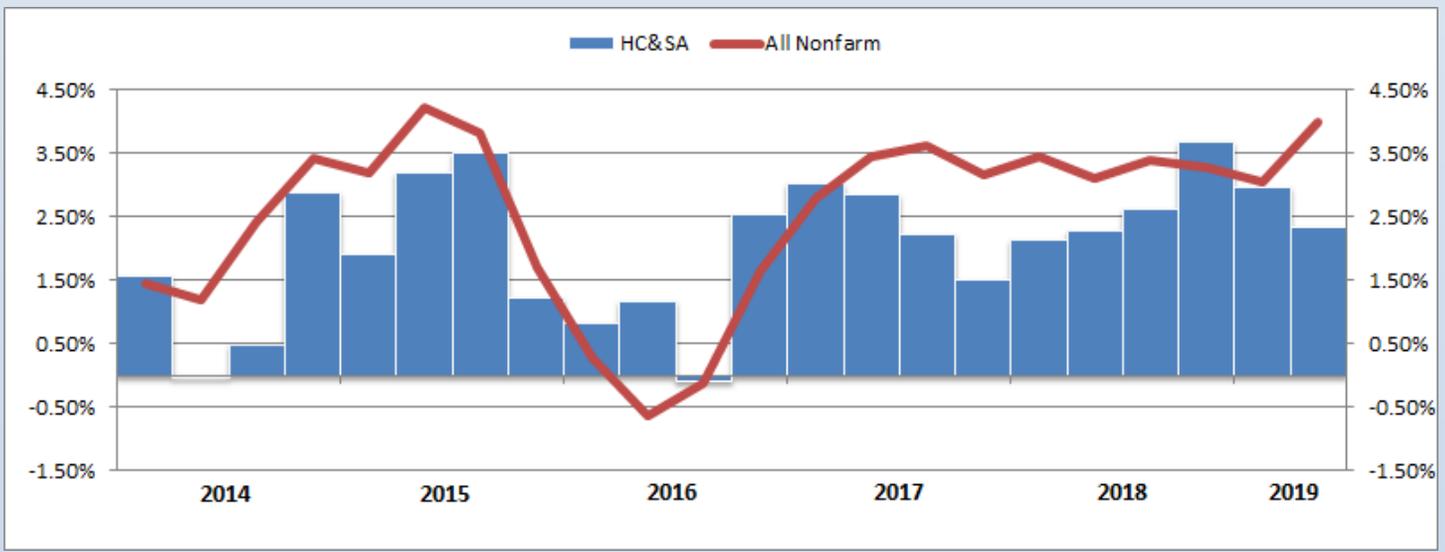
**Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.**



### Compensation per Employee Growth Rate

After reaching its highest value in more than a decade at the end of 2018, the year-over-year growth rate of Virginia’s total HC&SA compensation per employee has fallen for two consecutive quarters. In Q2 2019, this growth rate fell from 2.97% to 2.35%. This represents the lowest value for the year-over-year growth rate of Virginia’s total HC&SA compensation per employee since Q2 2018. While total HC&SA compensation per employee in the state saw its year-over-year growth rate decline in Q2 2019, the comparable year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee increased from 3.04% to 4.00% during the quarter. At this current value, the state’s year-over-year growth rate of its total nonfarm payroll compensation per employee has reached its highest level in four years.

**Figure 6: Year-Over-Year Change in Compensation Per Employee.**



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## 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.

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## 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/](http://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.

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