



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 27

June 2018

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

Highlights

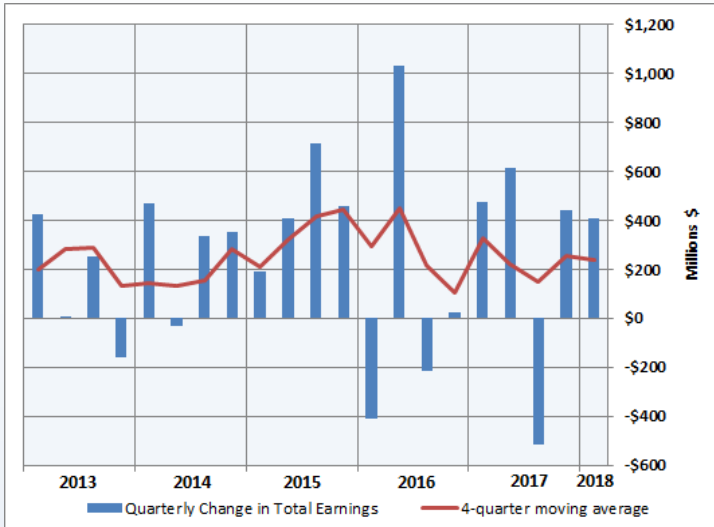
- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2018 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2017 to Q4 2017.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$407 million to \$30.02 billion in Q1 2018. This gain represents a quarterly annualized growth rate of 5.6%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$376 million to \$27.35 billion in Q1 2018. This quarterly gain translates into a 5.7% annualized growth rate.
- ◆ HC&SA compensation per employee in Virginia increased by \$1,402 to \$63,193 in Q1 2018. This gain represents a three-month annualized growth rate of 9.4%. In addition, it also represents the largest quarterly gain in HC&SA compensation per employee in almost two years.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2017	Q3 2017	Q4 2017	Q1 2018	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$315,504	\$319,883	\$322,195	\$327,266	3.7%	4.7%	6.4%
National	\$1,533,960	\$1,723,290	\$1,857,549	\$2,010,033	4.1%	5.0%	5.2%
Health Care & Social Assistance Earnings							
Virginia	\$29,077	\$29,176	\$29,615	\$30,022	3.2%	5.9%	5.6%
National	\$1,299,595	\$1,322,564	\$1,331,785	\$1,354,137	4.2%	4.8%	6.9%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$26,516	\$26,567	\$26,974	\$27,350	3.1%	6.0%	5.7%
National	\$1,166,896	\$1,187,401	\$1,194,936	\$1,215,695	4.2%	4.8%	7.1%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$61,437	\$61,050	\$61,791	\$63,193	2.9%	7.1%	9.4%
National	\$60,383	\$60,725	\$60,632	\$61,665	2.1%	3.1%	7.0%

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.



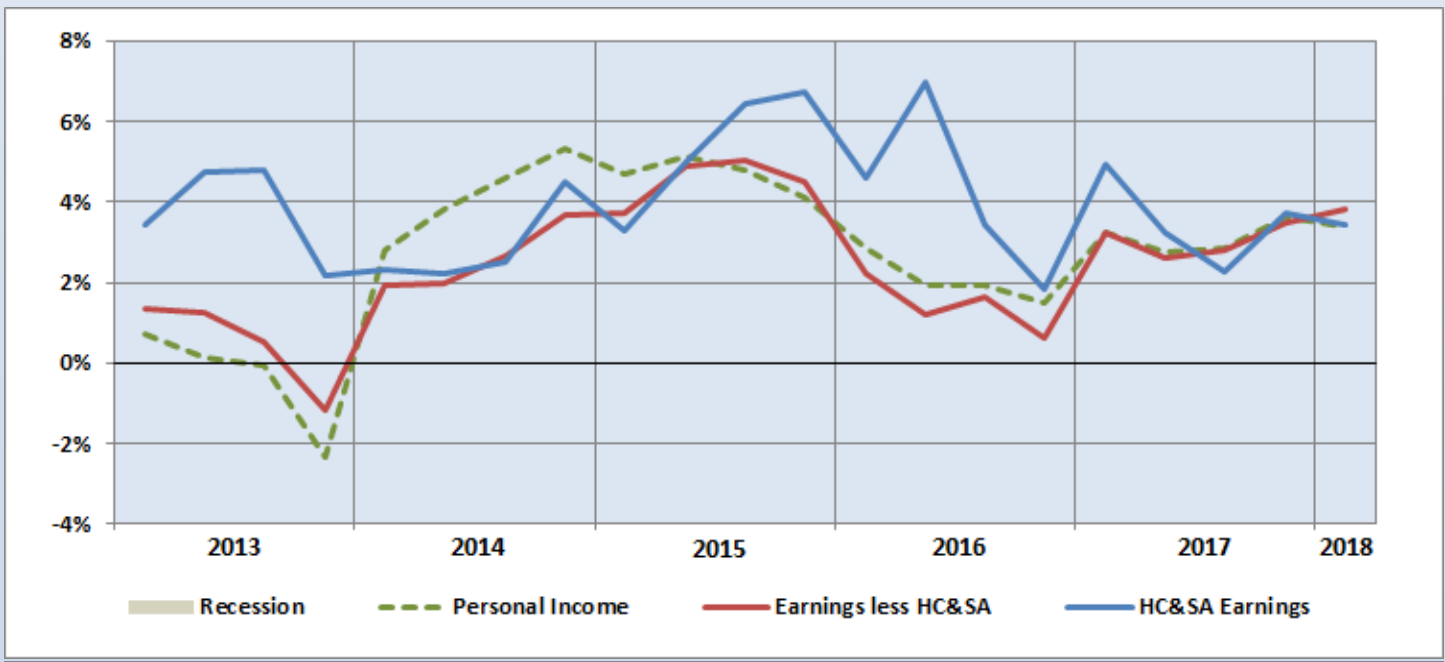
According to data released on Thursday, June 21, 2018 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$407 million to \$30.02 billion in Q1 2018. This gain represents a three-month annualized growth rate of 5.6%. In addition, this result represents the second consecutive month in which total earnings in Virginia’s HC&SA sector have increased. In Q4 2017, Virginia’s total HC&SA earnings increased by \$439 million.

Total HC&SA earnings growth in the state far exceeded its long-term average in Q1 2018. Over the past year, Virginia’s HC&SA earnings have grown by an average of \$236 million per quarter. This average quarterly gain translates into a 12-month growth rate of 3.2%. At its current level, this growth rate is below the nationwide average for total HC&SA earnings of 4.2%.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings dropped in Q1 2018 from 3.73% to 3.43%. This moving average has been trending downward over the past year. One year ago, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings was 4.96%. The four-quarter moving average of the growth rate in Virginia’s personal income experienced a similar decline during the quarter from 3.61% to 3.39%. Unlike total HC&SA earnings, however, the four-quarter moving average of the growth rate of Virginia’s personal income has been experiencing a slight upward trend over the past year. The same trend can also be observed in Virginia’s non-HC&SA earnings. Its four-quarter moving average increased in Q1 2018 from 3.48% to 3.80%. This represents the highest value for the four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings in more than two years.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

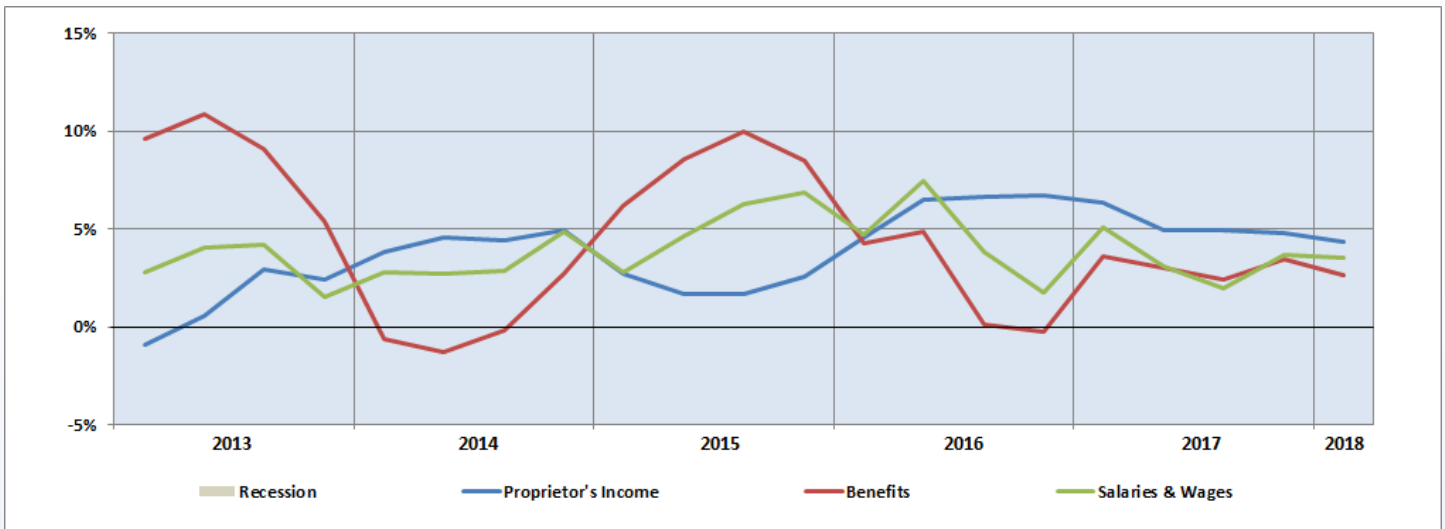


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

The four-quarter moving average of the growth rate in HC&SA proprietor’s income fell from 4.77% to 4.34% in Q1 2018. With this decline, the four-quarter moving average of the growth rate in HC&SA proprietor’s income has now fallen for five consecutive quarters. In addition, this also represents the lowest value for the four-quarter moving average of the growth rate in HC&SA proprietor’s income in more than two years. Regardless, HC&SA proprietor’s income still remains the fastest growing HC&SA earnings type in the state. Both forms of HC&SA employee compensation also experienced declines in their moving averages in Q1 2018. The four-quarter moving average of the growth rate in HC&SA salaries & wages fell from 3.70% to 3.51%, while the comparable moving average for HC&SA employee benefits fell from 3.45% to 2.66%.

Annual Growth by Earnings Type

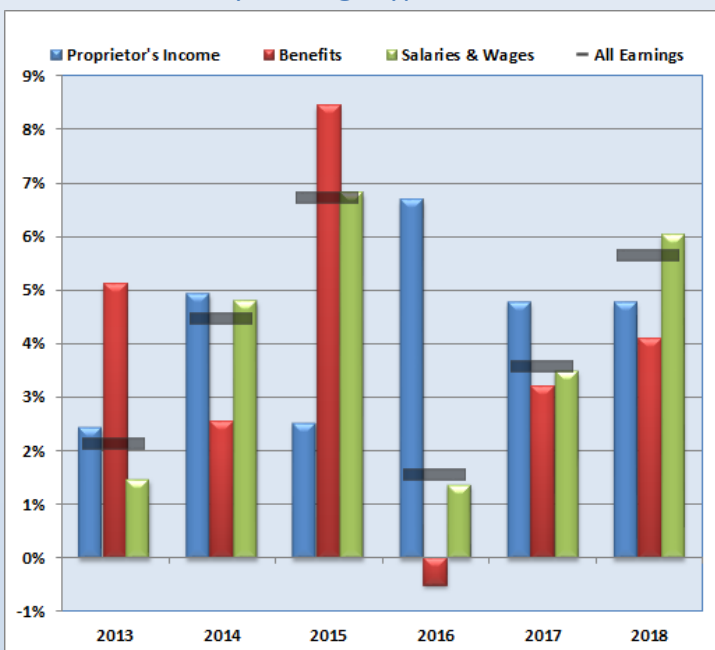


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In Q1 2018, HC&SA employee salaries & wages grew at a 6.0% annualized rate. This makes HC&SA employee salaries & wages the fastest growing HC&SA earnings type in the state during the quarter. If this present trend continues through the next three quarters of 2018, HC&SA employee salaries & wages would have the highest full-year earning growth rate in Virginia for the first time since 2010.

Meanwhile, HC&SA employee benefits grew at a 4.1% annualized rate in Q1 2018. This represents an improvement relative to its 3.2% growth rate in 2017. In addition, if HC&SA employee benefits maintains its current growth rate for the rest of the year, it would represent its highest full-year growth rate since 2015.

As for HC&SA proprietor’s income, its current three-month annualized growth rate is 4.8%. This is identical to the full-year growth rate in HC&SA proprietor’s income from 2017.

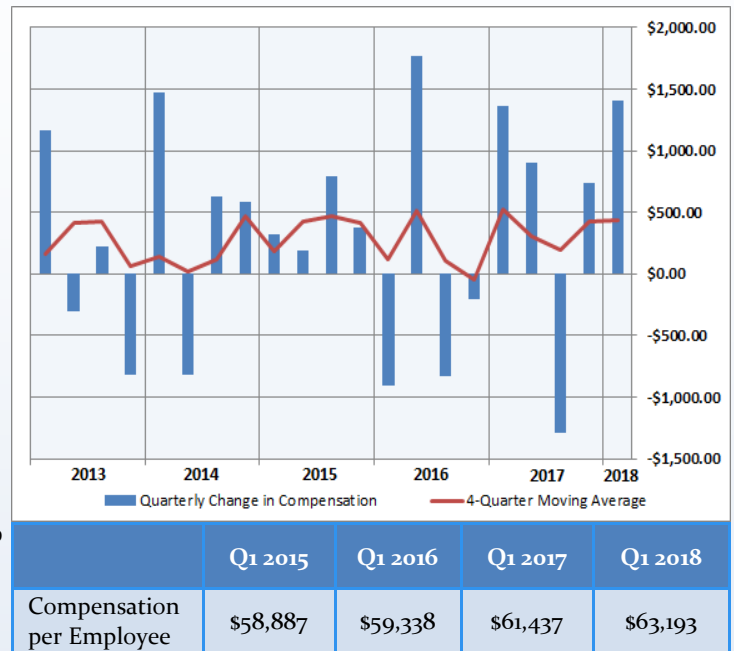
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,672	8.9%
Benefits	\$4,591	15.3%
Salaries & Wages	\$22,759	75.8%
Total	\$30,022	100%

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 \$63,193 (annualized) in Q1 2018. 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.

Total HC&SA compensation per employee increased by \$1,402 in Q1 2018. This increase represents the largest quarterly gain in total HC&SA compensation per employee in nearly two years. In addition, this gain also represents an impressive three-month annualized growth rate of 9.4%. This growth rate is above the 7.0% national average for the HC&SA sector during the quarter. As for long-term growth, total HC&SA compensation per employee has grown by 2.9% over the past year. This is greater than the 2.1% growth rate for the overall national HC&SA sector.

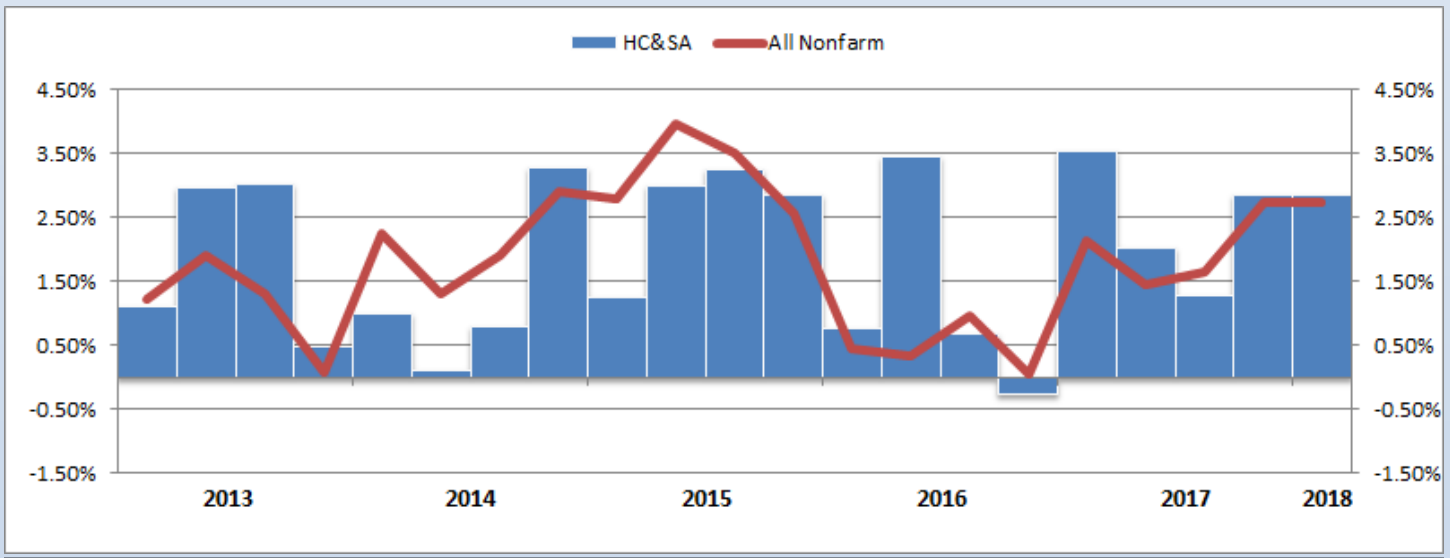
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

In Q1 2018, there was very little change in the year-over-year growth rates of both Virginia’s HC&SA compensation per employee and the state’s total nonfarm payroll compensation per employee. In fact, the year-over-year growth rate of Virginia’s HC&SA compensation per employee experienced no change at all during the quarter. This growth rate remained at 2.86%. As for Virginia’s total nonfarm payroll, its year-over-year growth rate of compensation per employee experienced an incremental increase from 2.73% to 2.74% in Q1 2018. With this increase, the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee reached a two-and-a-half-year high. Regardless, it still remains below the comparable growth rate for Virginia’s HC&SA compensation per employee.

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.