



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 28

September 2018

Highlights

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- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2018 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 1998 to Q1 2018.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$468 million to \$31.17 billion in Q2 2018. During the first half of 2018, Virginia's total HC&SA earnings have increased by \$925 million.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$436 million to \$28.03 billion in Q2 2018. This quarterly gain represents a 6.5% annualized growth rate.
- ◆ HC&SA compensation per employee in Virginia increased by \$253 to \$64,012 in Q2 2018. Virginia's HC&SA compensation per employee has now increased for three consecutive quarters.

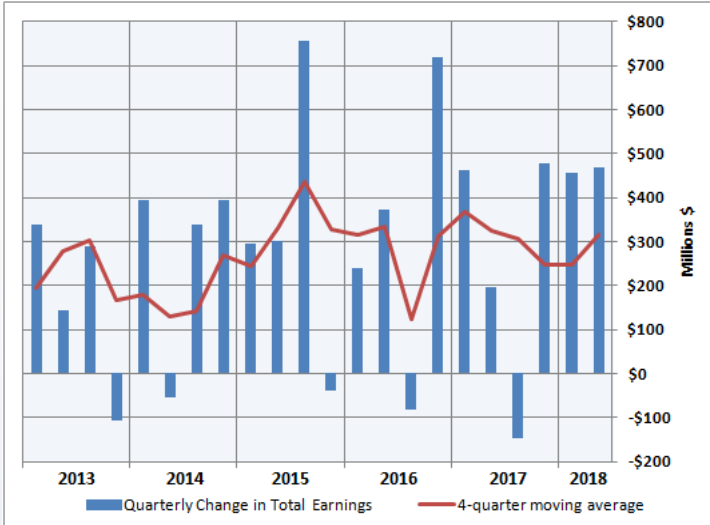
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2017	Q4 2017	Q1 2018	Q2 2018	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$321,026	\$326,907	\$331,012	\$335,280	4.4%	5.2%	5.3%
National	\$11,824,883	\$12,082,371	\$12,243,099	\$12,378,242	4.7%	5.0%	4.5%
Health Care & Social Assistance Earnings							
Virginia	\$29,913	\$30,246	\$30,703	\$31,171	4.2%	6.2%	6.2%
National	\$1,323,953	\$1,339,948	\$1,364,578	\$1,384,223	4.6%	6.7%	5.9%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$26,957	\$27,193	\$27,595	\$28,031	4.0%	6.3%	6.5%
National	\$1,183,169	\$1,194,564	\$1,216,570	\$1,234,675	4.4%	6.8%	6.1%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$61,980	\$62,293	\$63,759	\$64,012	3.3%	5.6%	1.6%
National	\$60,734	\$60,613	\$61,709	\$62,148	2.3%	5.1%	2.9%

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.



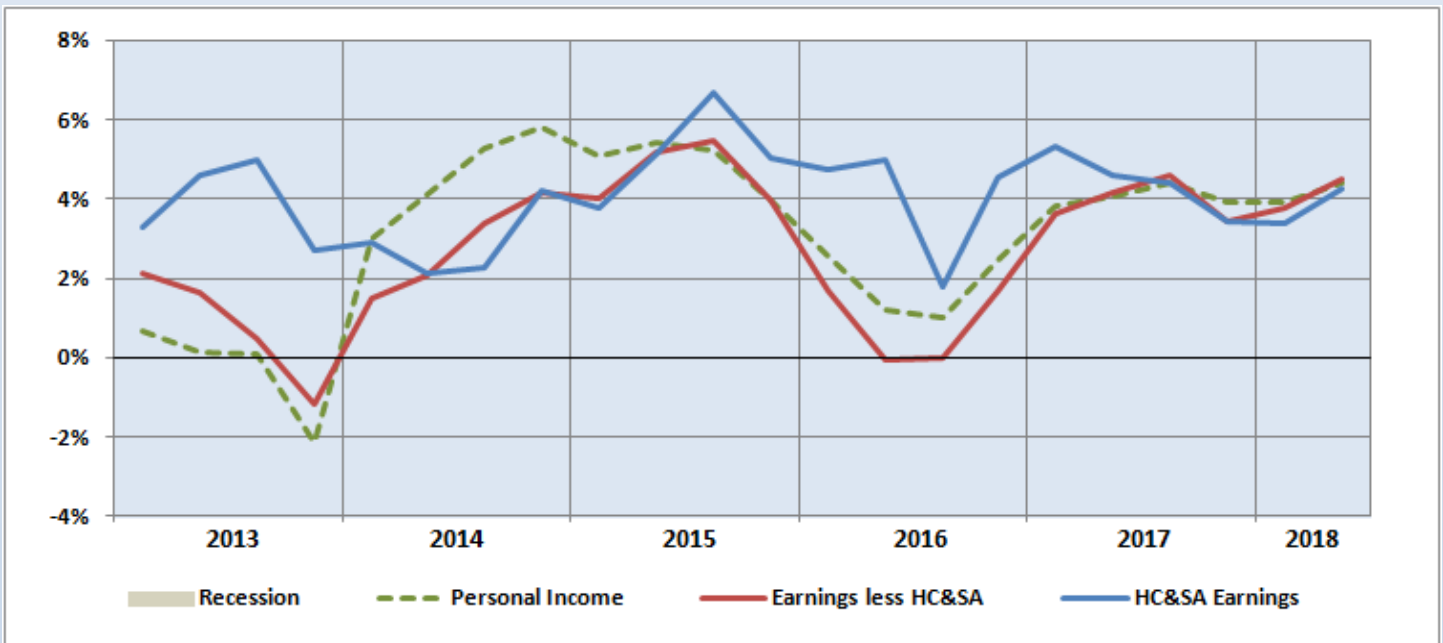
According to data released on Tuesday, September 25, 2018 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$468 million to \$31.17 billion in Q2 2018. This gain translates into a 6.2% annualized growth rate. In addition, this gain represents the third consecutive quarter in which total HC&SA earnings in the state have increased.

Virginia’s total HC&SA earnings have grown strongly over the first half of 2018. During the first six months of the year, total HC&SA earnings in the state have increased by \$925 million. The year-to-date gain represents a 6.2% annualized growth rate. This exceeds the current 12-month growth rate of total HC&SA earnings in the state. Over the past year, total HC&SA earnings have increased by an average of \$315 million per quarter. This average quarterly gain translates into a 4.2% annual growth rate.

Virginia HC&SA Earnings Growth Rate

After falling to a year-and-a-half low of 3.37% in Q1 2018, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings rebounded strongly this quarter to 4.27%. Despite this significant increase, however, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings still lags behind the comparable moving averages for the state’s non-HC&SA earnings and personal income. The four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings also increased in Q2 2018 from 3.77% to 4.48%. This result represents the second consecutive quarter in which the four-quarter moving average of Virginia’s non-HC&SA earnings has exceeded that of the state’s total HC&SA earnings. As for Virginia’s personal income, its four-quarter moving average growth rate increased as well from 3.89% to 4.38% in Q2 2018.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

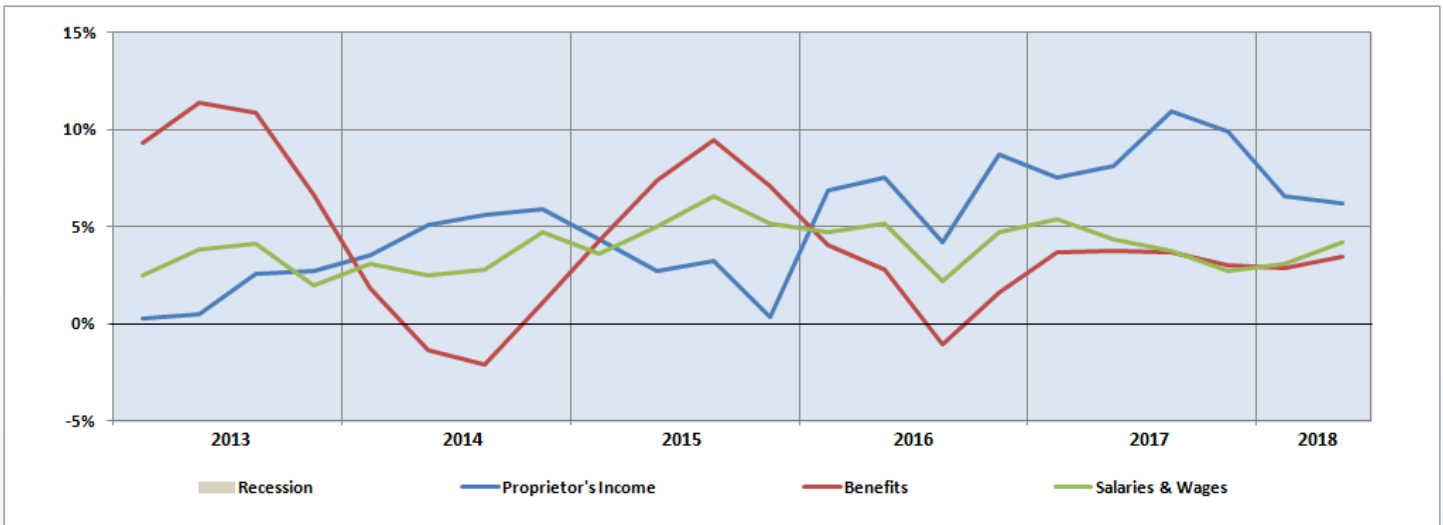


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

In Q2 2018, both forms of HC&SA employee compensation experienced an increase in their respective four-quarter growth rate moving average. The four-quarter growth rate moving average of HC&SA salaries & wages increased from 3.07% to a one-year high of 4.18%. As for HC&SA employee benefits, its four-quarter growth rate moving average increased from 2.88% to 3.49%. However, despite the improving growth in employee compensation, proprietor’s income continues to be the fastest growing HC&SA earnings type in the state. This remains the case despite the fact that its four-quarter growth rate moving average declined yet again in Q2 2018. After reaching a seven-year high of 10.97% in Q3 2017, the four-quarter moving average of the growth rate in HC&SA proprietor’s income has now declined to 6.23%.

Annual Growth by Earnings Type

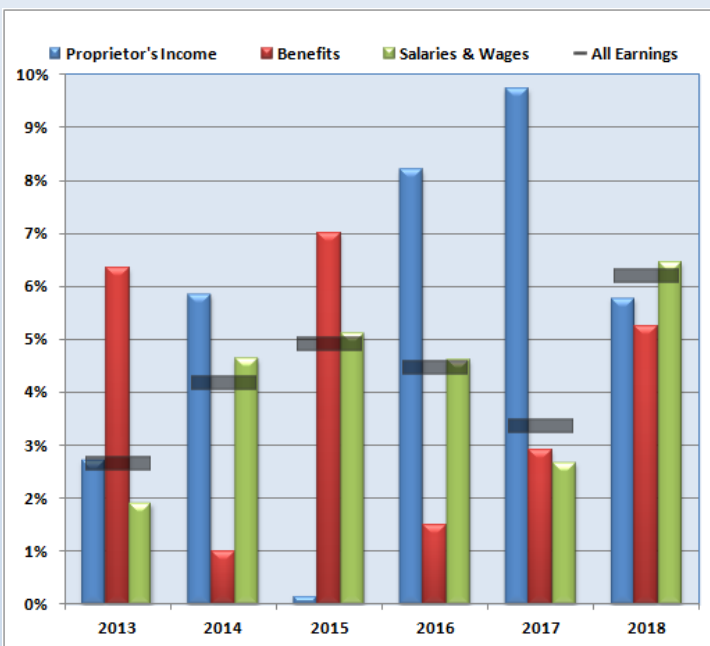


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

While HC&SA proprietor’s income continues to enjoy the largest four-quarter growth rate moving average, HC&SA salaries & wages have been the most significant contributor to HC&SA earnings growth so far in 2018. During the first half of 2018, HC&SA salaries & wages have grown at a 6.5% annualized rate. This represents an improvement relative to Q1 2018 when HC&SA salaries and wages grew at a 6.0% annualized rate. At this current level, HC&SA salaries & wages is growing at its fastest annualized rate in ten years.

Meanwhile, HC&SA employee benefits are currently growing at a 5.3% annualized rate. Although this makes employee benefits the slowest growing HC&SA earnings type in the state, it also represents a marked improvement relative to its 2.9% growth rate in 2017. Finally, HC&SA proprietor’s income has grown at a 5.8% annualized rate so far this year.

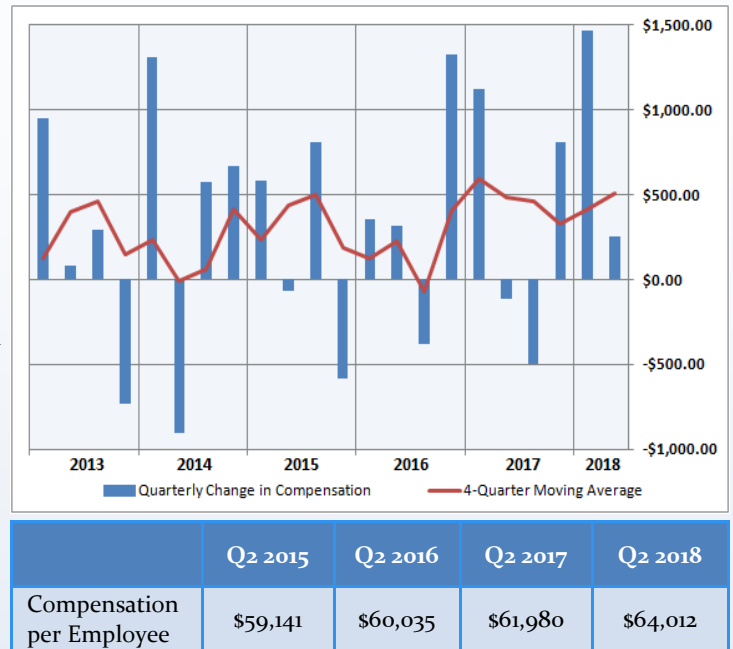
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,140	10.1%
Benefits	\$4,671	15.0%
Salaries & Wages	\$23,360	74.9%
Total	\$31,171	100%

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 \$64,012 (annualized) in Q2 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 \$253 in Q2 2018. This gain represents a three-month annualized growth rate of 1.6%. Although this is below the 2.9% national average for total HC&SA compensation per employee during Q2 2018, it also represents the third consecutive quarter in which Virginia’s total HC&SA compensation per employee has increased. Thanks to these gains, total HC&SA compensation per employee has grown by 3.3% over the past year. This four-quarter growth rate is above the comparable national average of 2.3%.

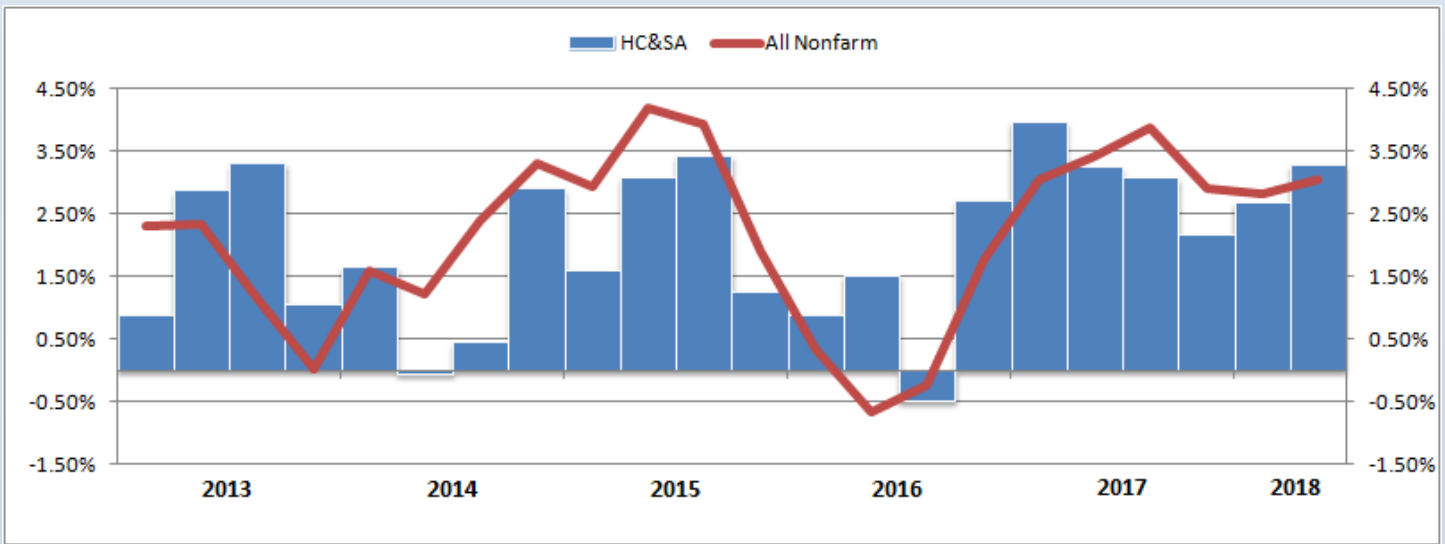
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

The year-over-year growth rate of Virginia’s HC&SA compensation per employee increased from 2.68% to 3.28% in Q2 2018. This represents the highest level for the year-over-year growth rate of the state’s HC&SA compensation per employee since Q1 2017. This is also the first time since Q1 2017 in which the year-over-year growth rate in Virginia’s total HC&SA compensation per employee has exceeded the comparable growth rate in the state’s total nonfarm payroll per employee. This reversal occurred despite the fact that the year-over-year growth rate of Virginia’s total nonfarm payroll per employee increased for the first time since Q3 2017. In Q2 2018, the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee rose from 2.82% to 3.04%.

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.



Healthcare Workforce
Data Center

Perimeter Center
9960 Mayland Drive, Suite 300
Henrico, VA 23233-1463

Phone: (804) 367-2115
Fax: (804) 527-4434
E-mail: hwdc@dhp.virginia.gov

www.dhp.virginia.gov/hwdc/

HWDC Staff:

Elizabeth Carter, Ph.D. <i>Executive Director</i>	Yetty Shobo, Ph.D. <i>Deputy Director</i>
Laura Jackson <i>Operations Manager</i>	Christopher Coyle <i>Research Assistant</i>

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.
