



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
 Regional Economic Accounts
Series 3: Income & Compensation

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Highlights

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

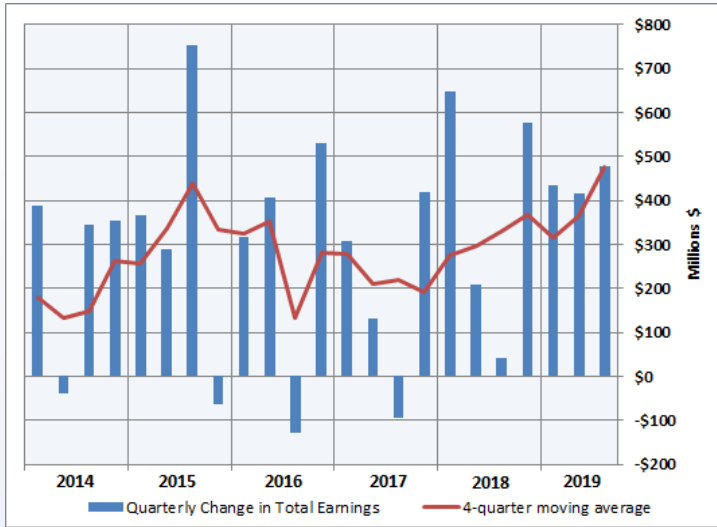
- ◆ In addition to the new income and compensation estimates for Quarter 3 (Q3) 2019 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2019 and Q2 2019.
- ◆ Virginia's Health Care & Social Assistance (HC&SA) sector enjoyed its largest quarterly gain in total earnings so far this year. In Q3 2019, total HC&SA earnings increased by \$479 million to \$32.70 billion. Total earnings in this sector have increased for eight consecutive quarters.
- ◆ Virginia's HC&SA sector experienced an increase of \$469 million in total employee compensation, growing to \$29.84 billion in Q3 2019. Employee compensation in this sector has grown by \$1.28 billion in 2019.
- ◆ Total HC&SA compensation per employee in Virginia grew by \$478 in Q3 2019. With this gain, employees in Virginia's HC&SA sector earn an average of \$65,412 per year.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2018	Q1 2019	Q2 2019	Q3 2019	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$339,190	\$346,090	\$348,987	\$352,026	3.8%	3.5%	3.5%
National	\$12,574,162	\$12,921,541	\$13,012,926	\$13,170,518	4.7%	3.9%	4.9%
Health Care & Social Assistance Earnings							
Virginia	\$30,794	\$31,804	\$32,219	\$32,698	6.2%	5.7%	6.1%
National	\$1,386,560	\$1,427,169	\$1,442,873	\$1,462,277	5.5%	5.0%	5.5%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$28,024	\$28,991	\$29,370	\$29,839	6.5%	5.9%	6.5%
National	\$1,249,828	\$1,288,363	\$1,302,249	\$1,321,173	5.7%	5.2%	5.9%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$62,900	\$64,775	\$64,935	\$65,412	4.0%	2.0%	3.0%
National	\$62,607	\$63,725	\$63,815	\$64,398	2.9%	2.1%	3.7%

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.



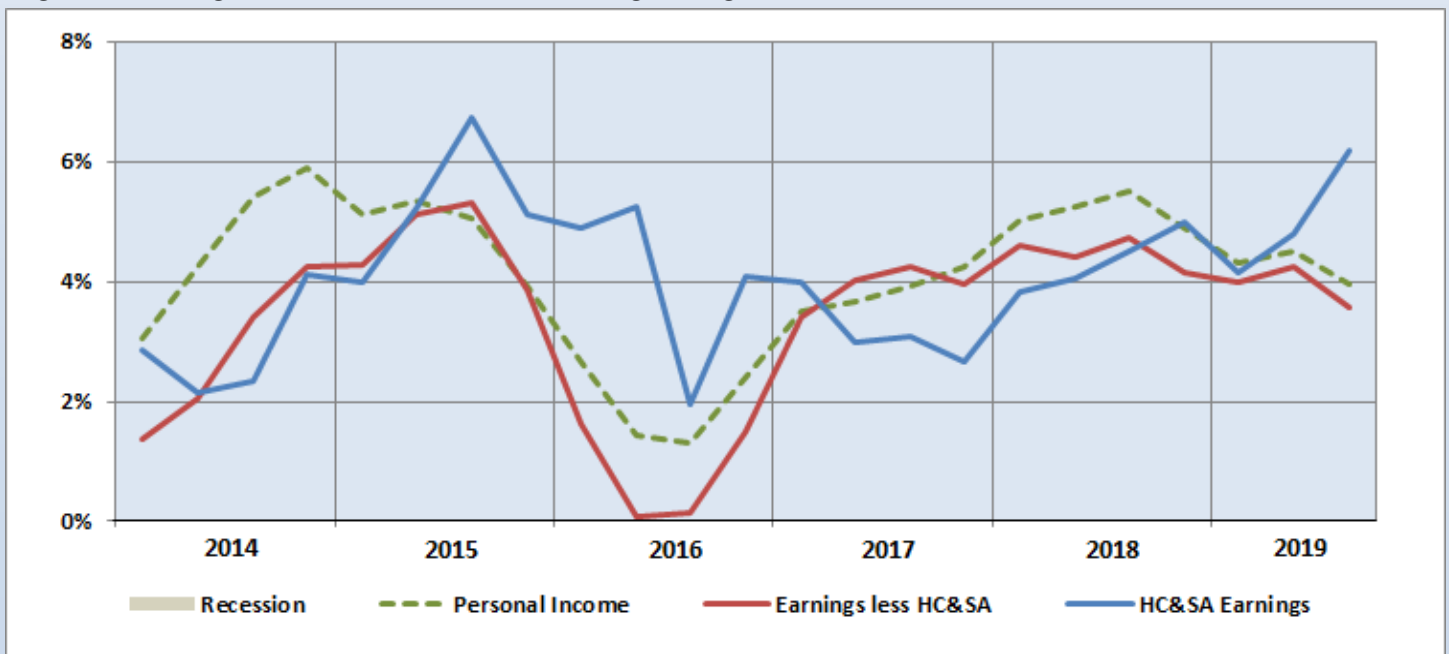
According to data released on Wednesday, December 18, 2019 by the U.S. Bureau of Economic Analysis, Virginia’s Health Care & Social Assistance (HC&SA) sector experienced an increase in total earnings by \$479 million to \$32.70 billion in Q3 2019. This gain translates into a three-month annualized growth rate of 6.1%. In addition, this result also represents the largest quarterly gain in Virginia’s total HC&SA earnings so far this year.

The long-term trend in the growth rate of Virginia’s total HC&SA earnings continues to improve. Total earnings in Virginia’s HC&SA sector have increased in each of the past eight quarters. Over these two years of consistent growth, the 12-month moving average of the change in Virginia’s total HC&SA earnings has more than doubled to \$476 million. This average quarterly gain translates into a 12-month growth rate of 6.2%.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings experienced a large increase from 4.80% to 6.19% in Q3 2019. With this increase, the four-quarter moving average of the earnings growth rate in Virginia’s HC&SA sector reached its highest level in four years. In addition, this quarter’s result continues a long-term upward trend in this moving average. Over the past three years, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings has more than tripled. Meanwhile, the four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings fell from 4.25% to 3.55% in Q3 2019, thereby reaching its lowest value in more than two years. As for the state’s personal income, its four-quarter growth rate moving average experienced a decline from 4.52% to 3.95% in Q3 2019, which represents its lowest value in two years.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

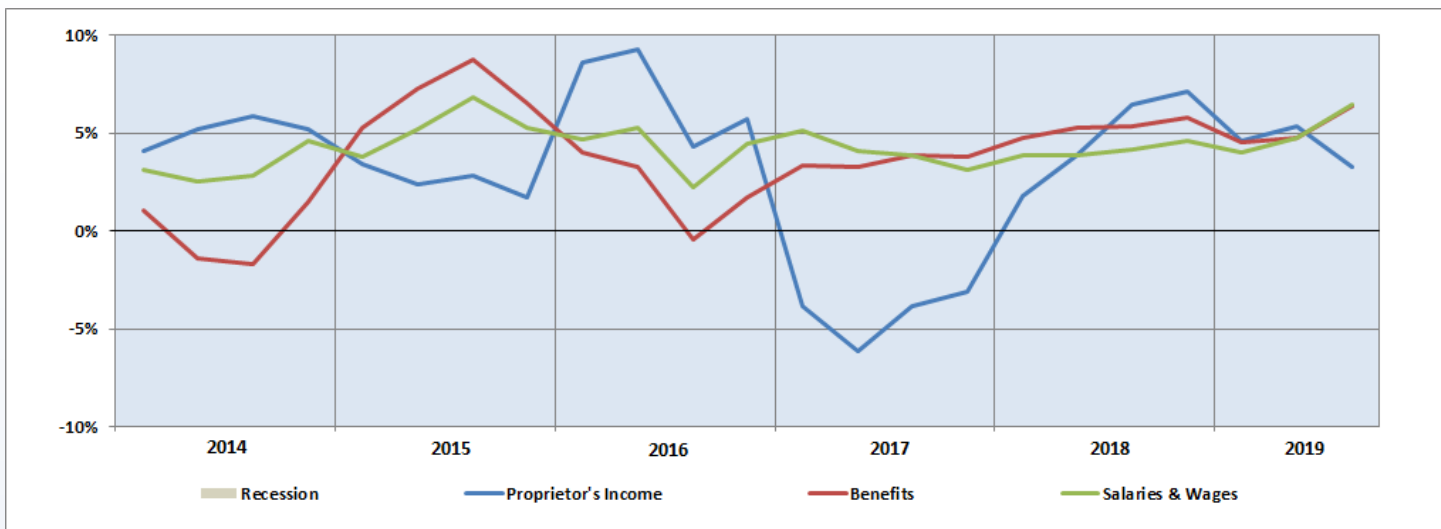


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

During the first half of 2019, HC&SA proprietor’s income enjoyed a higher four-quarter growth rate moving average than either form of employee compensation. However, this situation was reversed in Q3 2019. The four-quarter moving average of the growth rate in HC&SA proprietor’s income fell from 5.34% to 3.24%, which represents its lowest level in one-and-a-half years. Meanwhile, both forms of HC&SA employee compensation enjoyed significant boosts in their long-term growth rates during the quarter. The four-quarter moving average of the growth rate in HC&SA employee salaries & wages increased from 4.77% to 6.50%, while the comparable growth rate for HC&SA employee benefits climbed from 4.72% to 6.41%. At their current levels, both of these values represent multiyear highs.

Annual Growth by Earnings Type

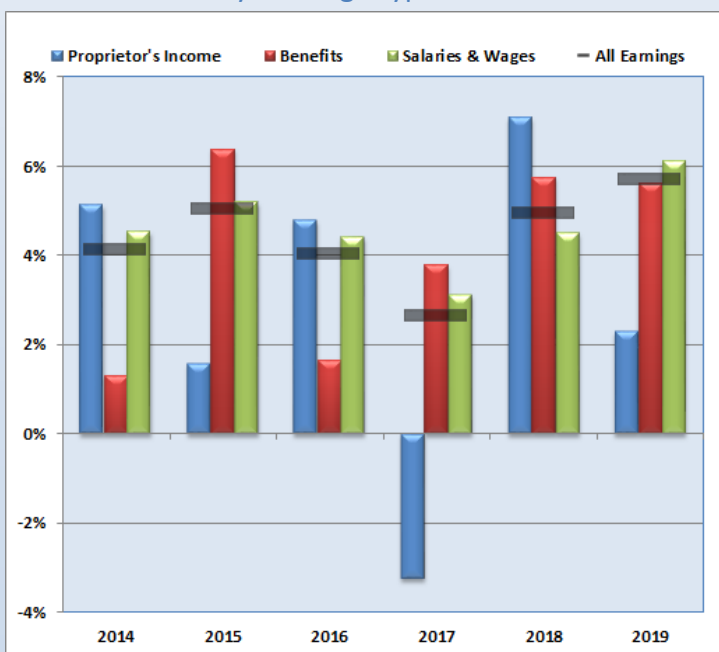


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

So far this year, total earnings in Virginia’s HC&SA sector have grown at a 5.7% annualized rate. Total HC&SA earnings in the state have not grown this quickly since 2012. HC&SA employee salaries & wages have been the main driver of this growth. In 2019, HC&SA employee salaries & wages have grown at a 6.1% annualized rate. This represents the fastest growth rate for employee salaries & wages in Virginia’s HC&SA sector since 2008. HC&SA employee benefits have also been enjoying strong earnings growth during the year. Although its growth has slowed down slightly since last year, HC&SA employee benefits are still growing at a 5.6% annualized rate in 2019. The growth rates for both forms of HC&SA employee compensation far exceed the comparable rate for HC&SA proprietor’s income. After growing by 7.1% last year, HC&SA proprietor’s income has seen its annualized growth rate fall to just 2.3% over the first three quarters of 2019.

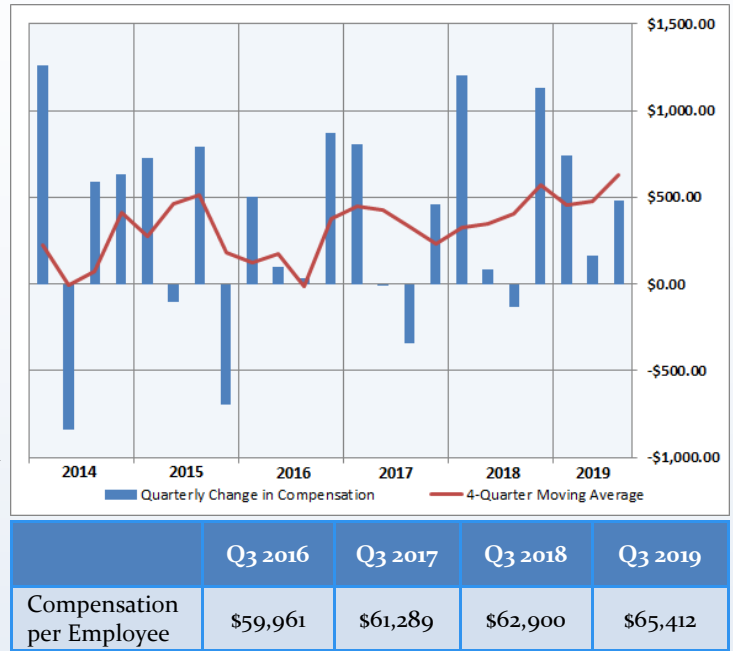
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,859	8.7%
Benefits	\$5,054	15.5%
Salaries & Wages	\$24,785	75.8%
Total	\$32,698	100%

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 \$65,412 (annualized) in Q3 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.

In Q3 2019, Virginia’s total HC&SA compensation per employee grew by \$478, a gain that translates into a three-month annualized growth rate of 3.0%. In addition, this result represents the fourth consecutive quarter in which total compensation per employee in Virginia’s HC&SA sector has increased. Over this time period, total HC&SA compensation per employee has increased by \$2,513. Thanks to these strong gains over the past year, the 12-month moving average of the growth rate in Virginia’s total HC&SA compensation per employee increased to its highest value in more than a decade.

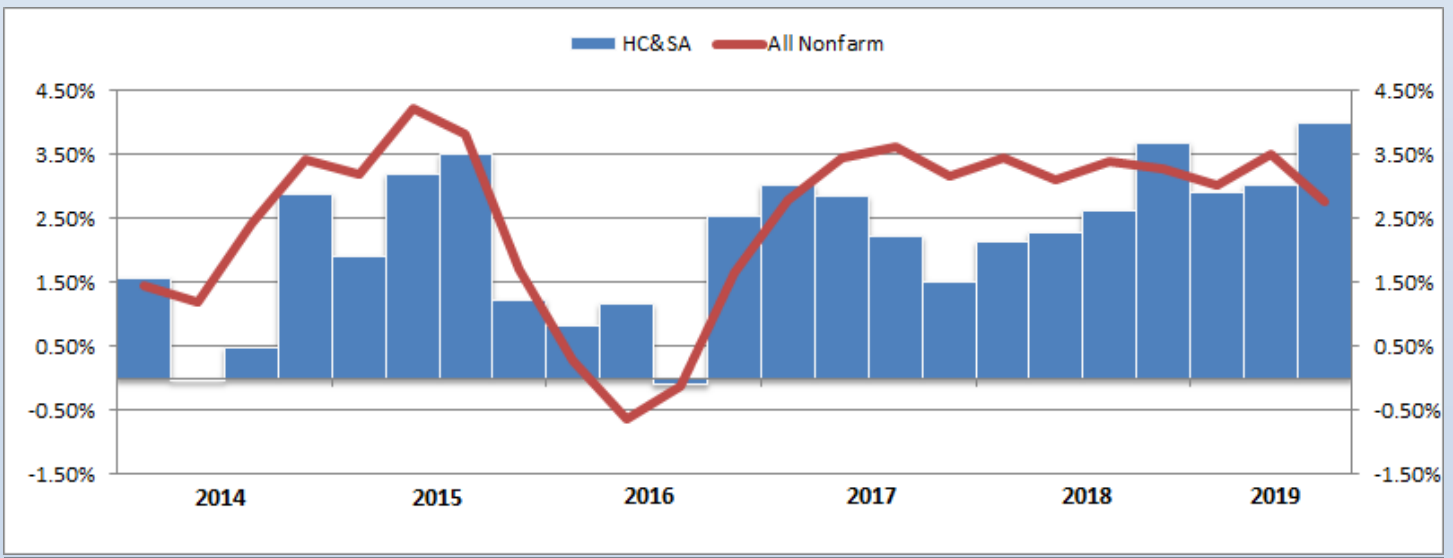
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

During the first half of 2019, the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee exceeded the comparable growth rate for the state’s total HC&SA compensation per employee. This continued a trend that had persisted throughout most of the past two years. However, this situation came to an end in Q3 2019 after the year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector increased from 3.02% to 3.99%. At its current level, this represents the highest value for the year-over-year growth rate of Virginia’s total HC&SA compensation per employee since 2005. As for the state’s total nonfarm payroll per employee, its year-over-year growth rate fell from 3.50% to 2.78%, which represents its lowest value in nearly four years.

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)

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.