



# Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

**Series 3: Income & Compensation**

Series 3, Issue 31

June 2019

## Highlights

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- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2019 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2018 to Q4 2018.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$502 million to \$32.07 billion in Q1 2019. This gain represents a one-month annualized growth rate of 6.5%. Over the past year, total HC&SA earnings in the state have increased by \$1.38 billion.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$478 million to \$28.80 billion in Q1 2019. This gain translates into a three-month annualized growth rate of 6.9%.
- ◆ Total HC&SA compensation per employee in Virginia increased by \$850 to \$64,355 in Q1 2019. This increase represents a three-month annualized growth rate of 5.5%.

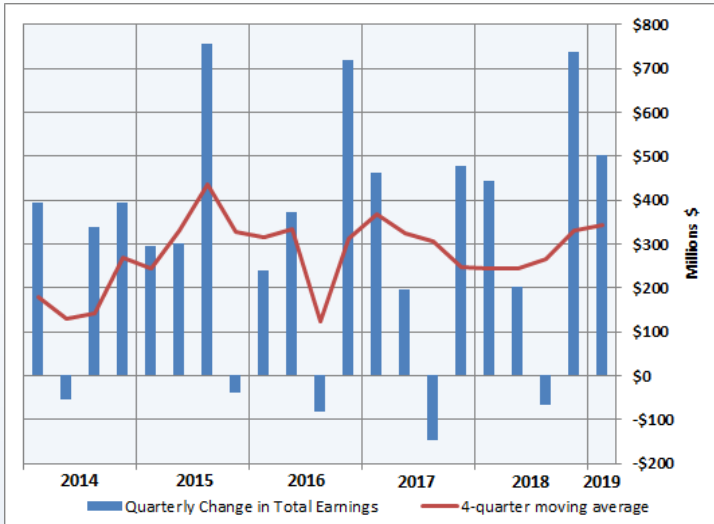
*The calendar year is the basis for data in this series. See Page 5 for additional information on this series.*

## Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2018	Q3 2018	Q4 2018	Q1 2019	Annual	6-Month	Quarterly
<b>Earnings (Personal income less rents, interest, dividends and government payments)</b>							
<b>Virginia</b>	\$331,200	\$337,854	\$340,468	\$343,190	3.6%	3.2%	3.2%
<b>National</b>	\$12,254,130	\$12,478,304	\$12,572,122	\$12,670,286	3.4%	3.1%	3.2%
<b>Health Care &amp; Social Assistance Earnings</b>							
<b>Virginia</b>	\$30,691	\$30,826	\$31,565	\$32,067	4.5%	8.2%	6.5%
<b>National</b>	\$1,364,566	\$1,387,414	\$1,404,595	\$1,428,355	4.7%	6.0%	6.9%
<b>Health Care &amp; Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages &amp; benefits)</b>							
<b>Virginia</b>	\$27,583	\$27,640	\$28,325	\$28,803	4.4%	8.6%	6.9%
<b>National</b>	\$1,216,558	\$1,235,707	\$1,250,314	\$1,272,934	4.6%	6.1%	7.4%
<b>Health Care &amp; Social Assistance Compensation per Employee (HWDC Estimate)</b>							
<b>Virginia</b>	\$62,334	\$62,038	\$63,504	\$64,355	3.2%	7.6%	5.5%
<b>National</b>	\$61,632	\$61,900	\$61,973	\$62,962	2.2%	3.5%	6.5%

## 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.**



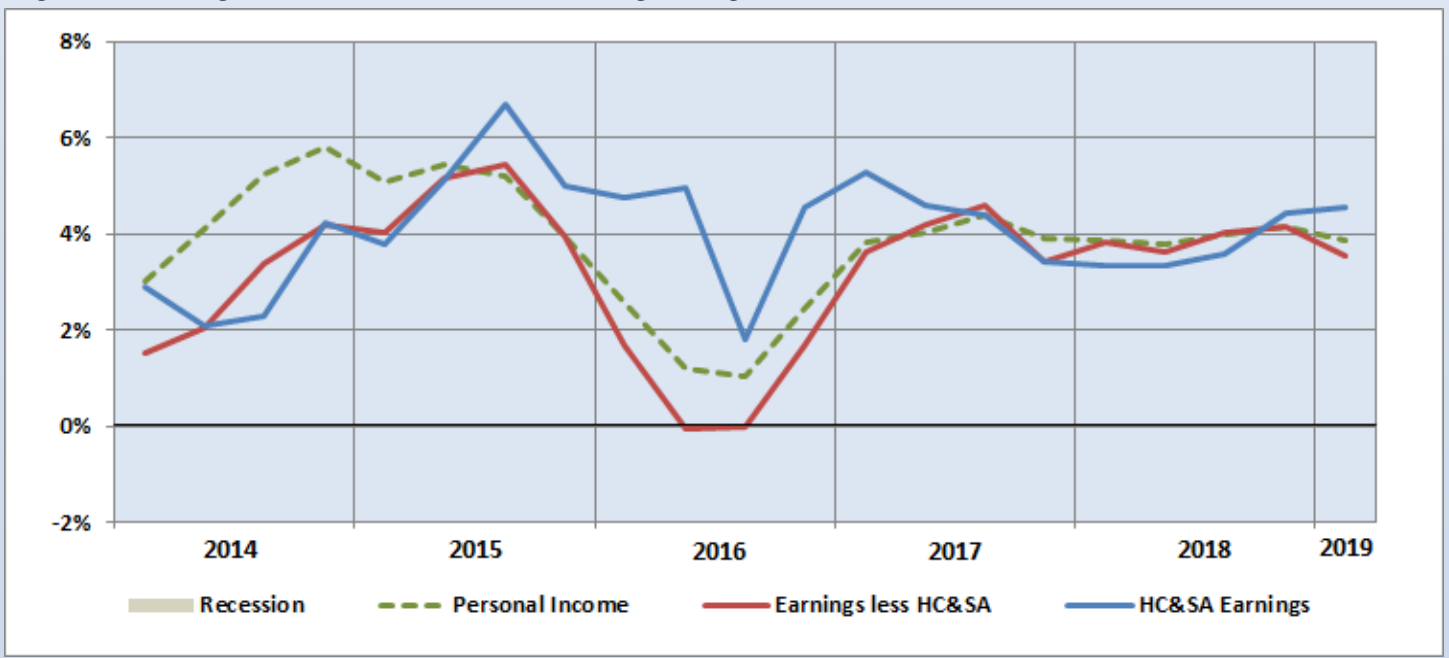
According to data released on Tuesday, June 25, 2019 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector experienced strong growth at the start of the new year thanks to an increase of \$502 million to \$32.07 billion in Q1 2019. This gain translates into a strong three-month annualized growth rate of 6.5%.

Virginia’s HC&SA sector has enjoyed even stronger growth in total earnings over the previous six months. Since Q4 2018, total earnings in Virginia’s HC&SA sector have increased by \$1.24 billion, a gain that translates into a six-month annualized growth rate of 8.2%. This exceeds the comparable nationwide HC&SA average of 6.0%. These gains led to an increase in the four-quarter moving average of the change in Virginia’s total HC&SA earnings to a two-year high of \$334 million.

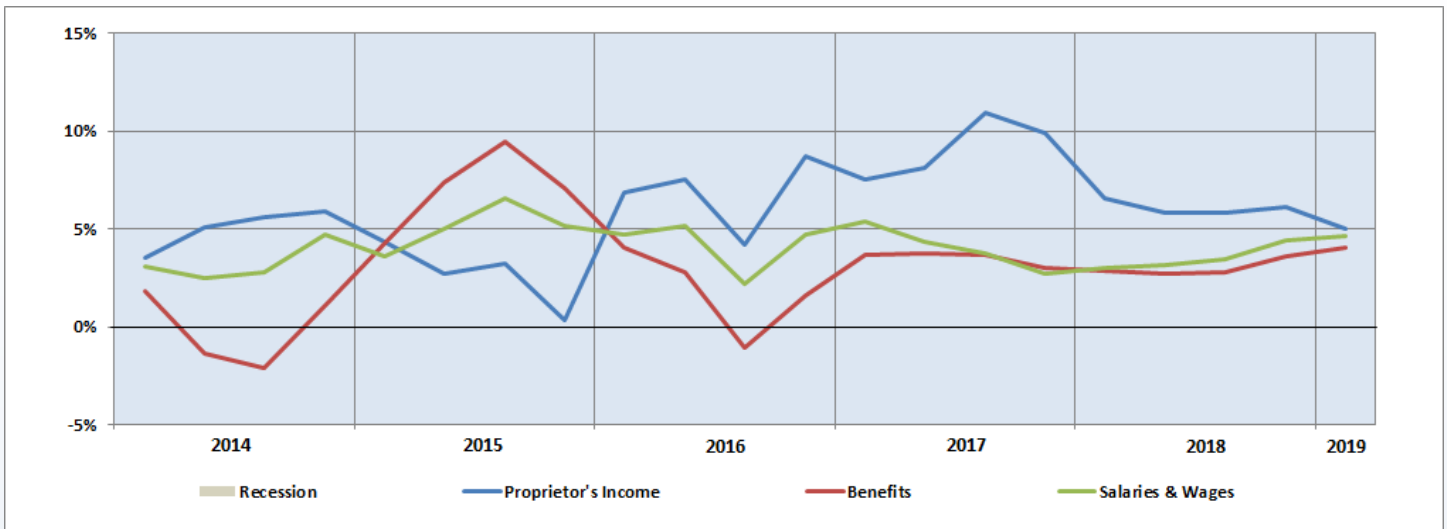
### Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings increased for the third consecutive quarter in Q1 2019 from 4.44% to 4.56%. At this level, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings has reached its highest value in nearly two years. It also continues to exceed the comparable moving averages of both Virginia’s non-HC&SA earnings and the state’s personal income. In fact, both of these moving averages fell in Q1 2019. The four-quarter moving average of the growth rate in Virginia’s total non-HC&SA earnings experienced a relatively significant decline in Q1 2019. This moving average fell from 4.15% to 3.56% during the quarter, thereby reaching its lowest value in more than one year. Meanwhile, the four-quarter moving average of the growth rate in Virginia’s personal income fell from 4.13% to 3.88%.

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



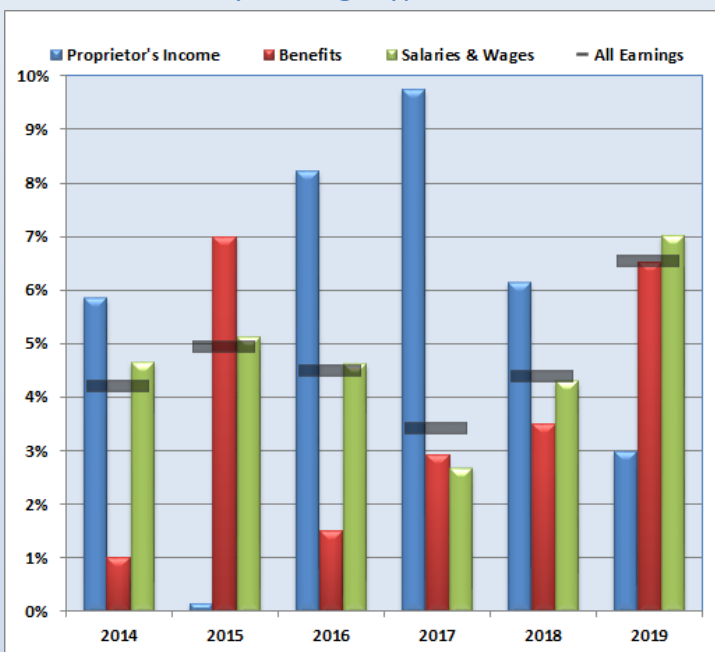
### Virginia HC&SA Earnings Growth Rate by Earnings Type



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

In Q1 2019, the four-quarter moving averages of all three types of HC&SA compensation converged towards each other. HC&SA proprietor's income continues to sport a higher four-quarter growth rate moving average than either form of HC&SA employee compensation, but its moving average still fell in Q1 2019 from 6.15% to 5.04%. This represents the lowest value for the four-quarter moving average of the growth rate in Virginia's HC&SA proprietor's income in more than two years. On the other hand, both forms of HC&SA employee compensation experienced increases in their four-quarter growth rate moving averages in Q1 2019. The four-quarter moving average of the growth rate in Virginia's HC&SA employee salaries & wages increased from 4.39% to 4.61%, while that of HC&SA employee benefits increased from 3.59% to 4.06%.

### Annual Growth by Earnings Type



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

In Q1 2019, total HC&SA earnings in Virginia grew at a 6.5% annualized rate. If this present trend continues throughout the rest of 2019, it would represent the fastest full-year HC&SA earning growth rate in the state since 2008. HC&SA employee compensation was the main driver of this growth during the quarter. Virginia's HC&SA employee salaries & wages grew at a 7.0% annualized rate in Q1 2019. As with total HC&SA earnings in the state, this would represent the fastest growth rate for HC&SA employee salaries & wages in more than ten years. It would also represent the first time since 2016 in which the growth rate of HC&SA employee salaries & wages would exceed the statewide HC&SA average.

HC&SA employee benefits grew at a 6.5% annualized rate in Q1 2019. As for HC&SA proprietor's income, this form of HC&SA compensation had a 3.0% annualized growth rate during the quarter.

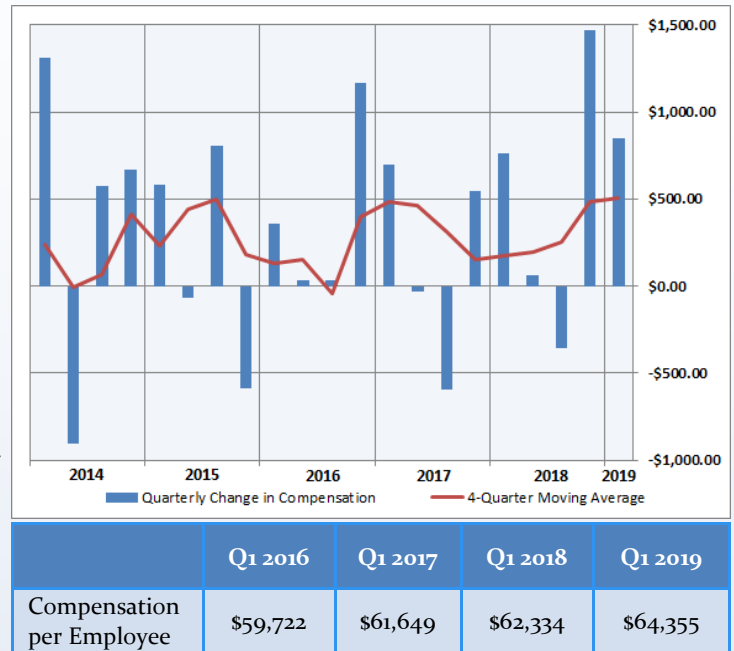
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,264	10.2%
Benefits	\$4,787	14.9%
Salaries & Wages	\$24,016	74.9%
<b>Total</b>	<b>\$32,067</b>	<b>100%</b>

### 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 \$64,355 (annualized) in Q1 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.

Virginia’s total HC&SA compensation per employee increased by \$850 in Q1 2019. This gain represents a three-month annualized growth rate of 5.5%. This is below the overall nationwide HC&SA average. In Q1 2019, total nationwide HC&SA compensation per employee increased by \$989, which translates into a 6.5% annualized growth rate. However, Virginia’s total HC&SA compensation per employee has increased by \$2,317 over the previous two quarters, a gain that translates into a 7.6% annualized growth rate. This is more than double the comparable nationwide average.

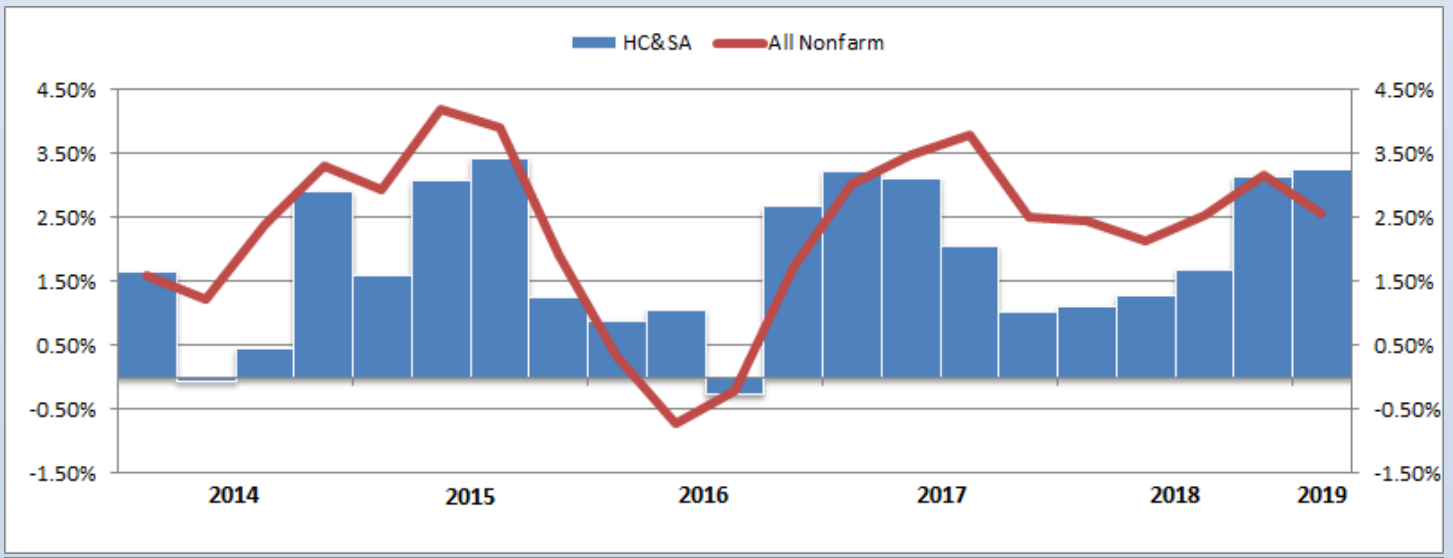
**Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.**



### Compensation per Employee Growth Rate

The year-over-year growth rate of Virginia’s total HC&SA compensation per employee experienced a small increase from 3.14% to 3.24% in Q1 2019. This gain represents the fifth consecutive quarter in which the year-over-year growth rate of Virginia’s total HC&SA compensation per employee has increased. In addition, this also represents the highest year-over-year growth rate of Virginia’s total HC&SA compensation per employee in three-and-a-half years. With this gain, the year-over-year growth rate of Virginia’s total HC&SA compensation per employee exceeds the comparable growth rate in Virginia’s total nonfarm payroll for the first time in two years. In Q1 2019, the year-over-year growth rate of Virginia’s total nonfarm payroll fell from 3.16% to 2.58%.

**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.