



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.

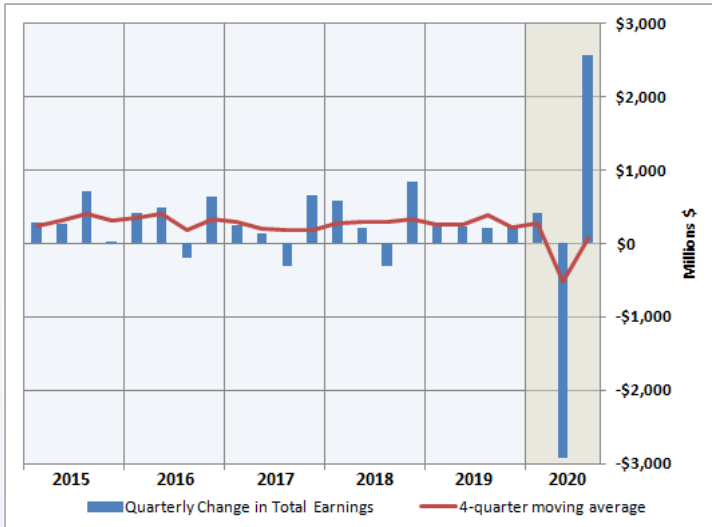
- ◆ In addition to the new income and compensation estimates for Quarter 3 (Q3) 2020 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2020 to Q2 2020.
- ◆ In Q3 2020, the reopening of Virginia's economy led to a dramatic increase in the state's Health Care & Social Assistance (HC&SA) earnings. Total HC&SA earnings increased by \$2.57 billion to \$32.38 billion in Q3 2020, which translates into a 39.2% annualized growth rate.
- ◆ Total employee compensation in Virginia's HC&SA sector experienced a similar increase, growing by \$1.74 billion to \$29.35 billion in Q3 2020. This gain represents a 27.6% annualized earnings growth rate.
- ◆ Total compensation per employee in Virginia's HC&SA sector increased by \$2,051 in Q3 2020. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$68,855 per year.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2019	Q1 2020	Q2 2020	Q3 2020	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$351,389	\$358,931	\$340,976	\$358,856	2.1%	0.0%	22.7%
National	\$13,107,212	\$13,369,657	\$12,449,875	\$13,325,234	1.7%	-0.7%	31.2%
Health Care & Social Assistance Earnings							
Virginia	\$32,093	\$32,739	\$29,810	\$32,378	0.9%	-2.2%	39.2%
National	\$1,444,633	\$1,478,446	\$1,374,706	\$1,511,547	4.6%	4.5%	46.2%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$29,324	\$29,941	\$27,617	\$29,353	0.1%	-3.9%	27.6%
National	\$1,310,501	\$1,342,857	\$1,268,132	\$1,353,693	3.3%	1.6%	29.8%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$63,716	\$64,981	\$66,805	\$68,855	8.1%	12.3%	12.9%
National	\$64,050	\$65,026	\$67,147	\$69,077	7.8%	12.8%	12.0%

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.

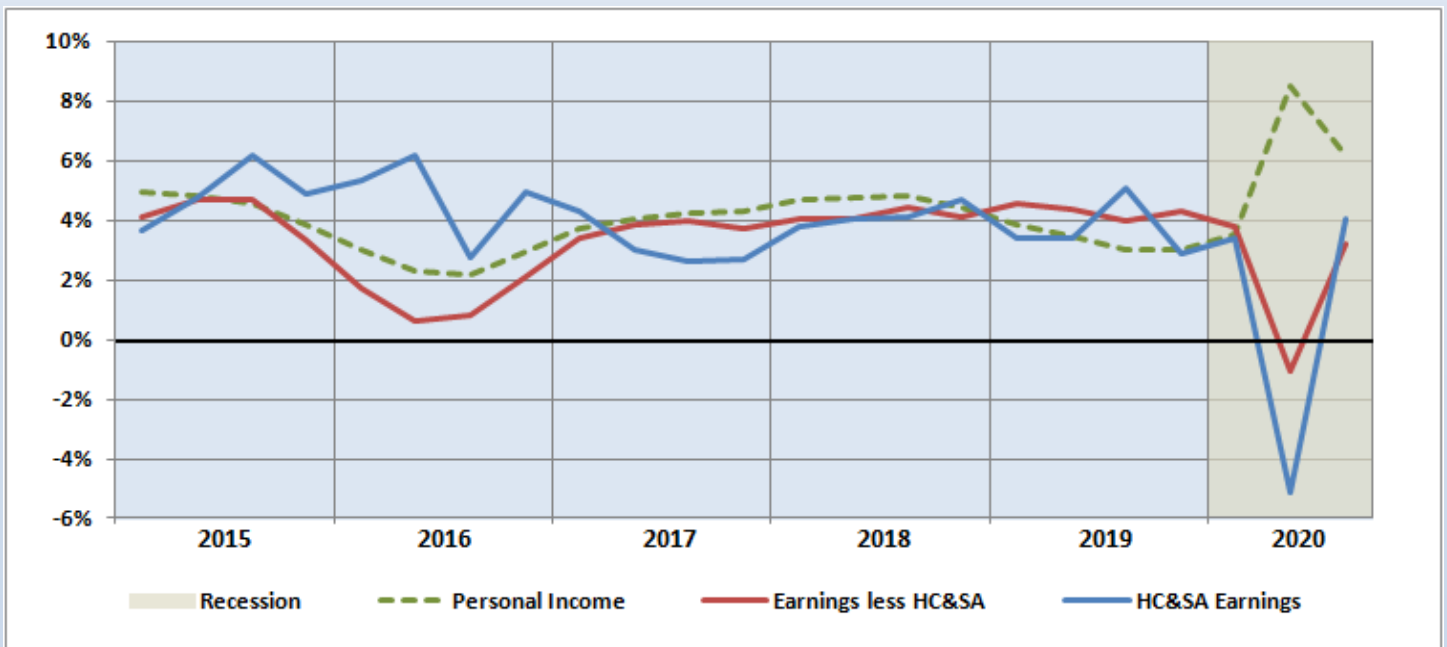


According to the preliminary data released on Thursday, December 17, 2020 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector rebounded strongly in Q3 2020 as the state government eased lockdown restrictions and reopened the economy. In Q2 2020, total HC&SA earnings in Virginia fell by nearly \$3 billion as the state focused on the need to reduce the spread of the coronavirus, which has infected more than 300,000 Virginians. However, nearly all of these losses were recovered in Q3 2020 as total HC&SA earnings in Virginia increased by \$2.57 billion to \$32.38 billion, a gain that represents an astounding three-month annualized growth rate of 39.2%. This quarter’s increase led to a significant improvement in the long-term growth rate of Virginia’s total HC&SA earnings. Over the past year, total HC&SA earnings have grown by 0.9%.

Virginia HC&SA Earnings Growth Rate

In Q3 2020, the four-quarter moving averages of the growth rates for both Virginia’s total HC&SA earnings and non-HC&SA earnings rebounded strongly from the sharp decline that occurred in Q2 2020. During the statewide lockdown, the four-quarter growth rate moving average for Virginia’s HC&SA earnings fell from 3.42% to -5.12%, but this moving average jumped back to 4.01% in Q3 2020, thereby reaching its highest value in one year. A similar rebound occurred with respect to Virginia’s non-HC&SA earnings, which saw their own four-quarter growth rate moving average increase from -1.08% to 3.18%. On the other hand, the comparable moving average for Virginia’s personal income fell back from its nearly 20-year high as some of the effects of the federal stimulus package, such as expanded unemployment benefits, came to an end. In Q3 2020, the four-quarter growth rate moving average for Virginia’s personal income fell from 8.50% to 6.20%.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

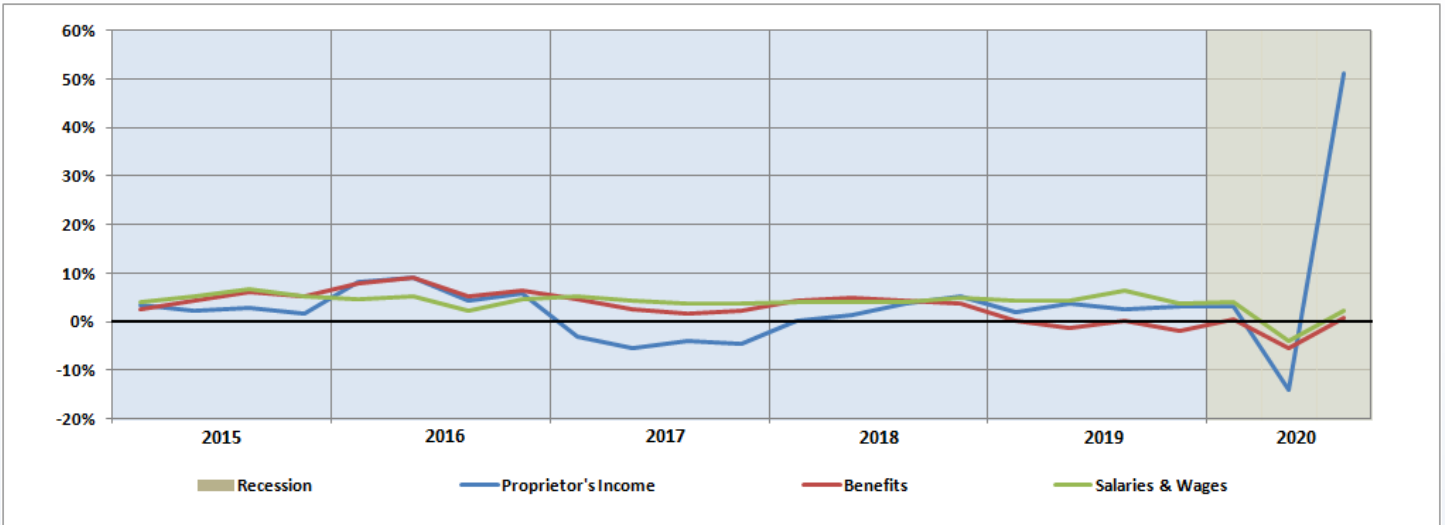


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Although all three types of HC&SA earnings experienced significant declines in their respective growth rates in Q2 2020, this decline was particularly precipitous with respect to HC&SA proprietor’s income, which saw its four-quarter growth rate moving average fall from 3.09% to -13.91%. However, the recovery of this moving average in Q3 2020 was even more dramatic. In Q3 2020, the four-quarter growth rate moving average of HC&SA proprietor’s income increased to an unprecedented 51.05%. Meanwhile, both forms of HC&SA employee compensation experienced more modest increases in their moving averages. HC&SA employee salaries & wages saw their four-quarter growth rate moving average rise from -3.85% to 2.40%, while the comparable moving average for HC&SA employee benefits grew from -5.34% to 0.82%.

Annual Growth by Earnings Type

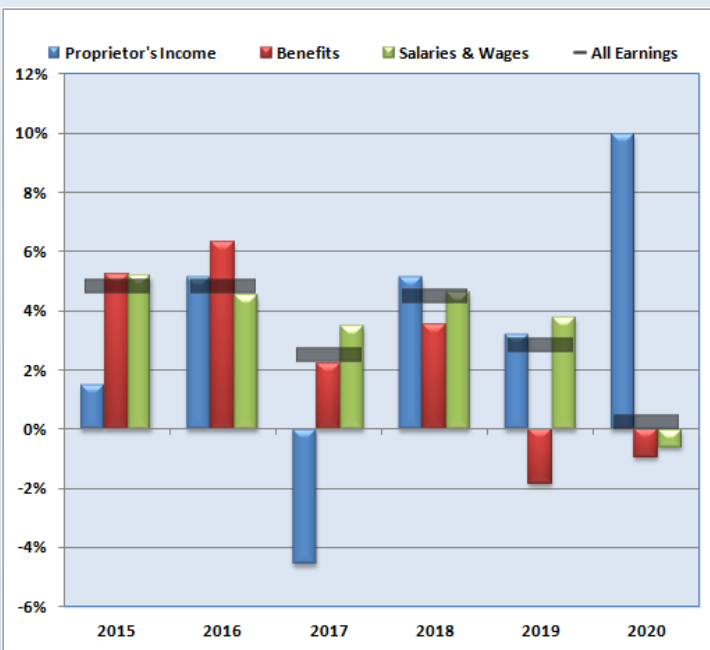


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Despite all of the volatility that has taken place with respect to the quarterly fluctuations in Virginia’s total HC&SA earnings, there has actually been very little net change in state-wide HC&SA earnings in 2020. In fact, during the first three quarters of this year, total earnings in Virginia’s HC&SA sector have grown at a 0.3% annualized rate. At its present level, this would mark the slowest annual growth rate in Virginia’s total HC&SA earnings in more than one decade.

This slow growth rate has been due to a decline in HC&SA employee compensation. On an annualized basis, HC&SA employee salaries & wages have fallen by 0.6% in 2020, while HC&SA benefits have declined by 1.0%. On the other hand, HC&SA proprietor’s income is currently growing at its fastest annualized rate since 2006. Thanks to this quarter’s large increase, HC&SA proprietor’s income is growing at a 10.0% annualized rate.

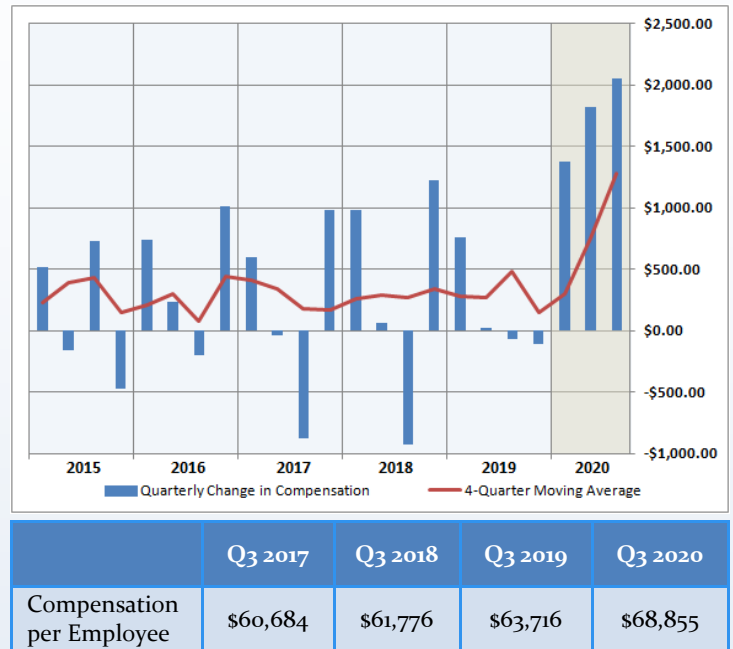
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,025	9.3%
Benefits	\$4,712	14.6%
Salaries & Wages	\$24,641	76.1%
Total	\$32,378	100%

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 \$68,855 (annualized) in Q3 2020. 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.

While Virginia’s HC&SA earnings and personal income have fluctuated considerably so far this year, there has been no such volatility in the quarterly change of total HC&SA compensation per employee. In fact, the quarterly increases in total compensation per employee in Virginia’s HC&SA sector have only gained in strength as the year has progressed. In Q3 2020, this increase amounted to \$2,051, a gain that translates into a three-month annualized earnings growth rate of 12.9%. With this gain, total HC&SA compensation per employee has increased by more than \$5,000 so far this year.

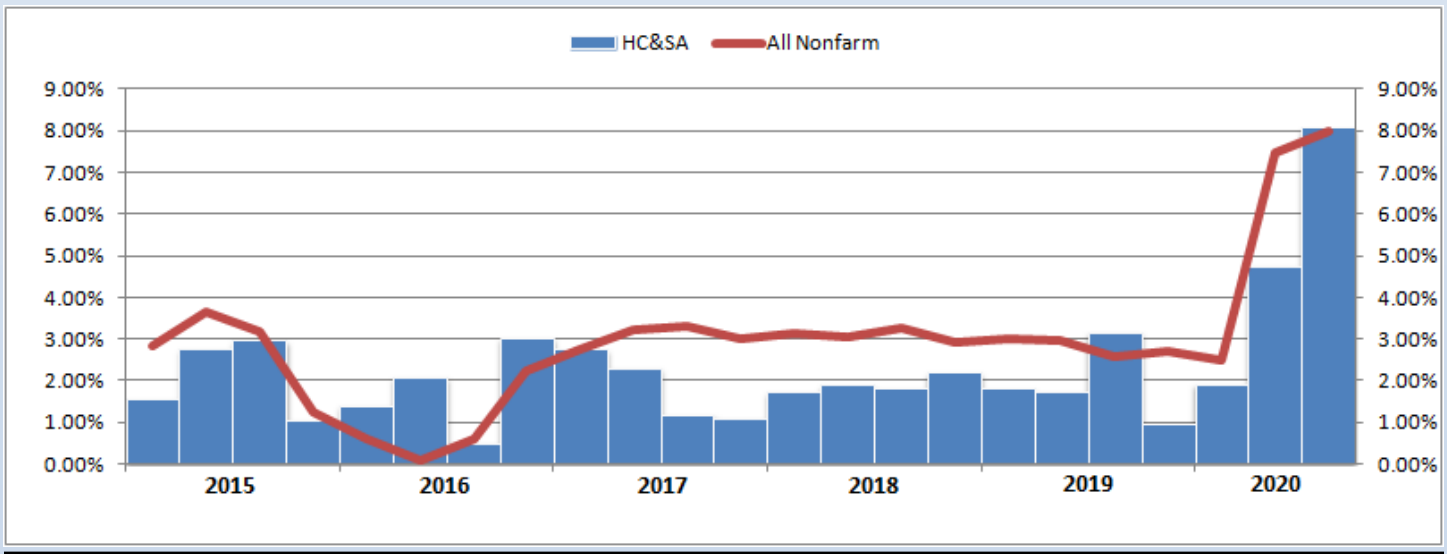
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

Long-term growth in both Virginia’s total HC&SA compensation per employee and the state’s total nonfarm payroll compensation per employee has skyrocketed in 2020 despite all of the uncertainties surrounding the coronavirus pandemic. In just the past two quarters, the year-over-year growth rate for Virginia’s total HC&SA compensation per employee has more than quadrupled from 1.91% to 8.07%. At the same time, the comparable year-over-year growth rate for Virginia’s total nonfarm payroll compensation per employee has more than tripled from 2.50% to 8.01%. These current growth rates for both Virginia’s total HC&SA compensation per employee and the state’s total nonfarm payroll compensation per employee represent highs that have not been exceeded in more than one decade.

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



Definitions

Economic data in this briefing is from the U.S. 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) U.S. Bureau of Economic Analysis' Regional Economic Accounts (REA), and, 2) the Current Establishment Survey (CES) administered jointly by the U.S. Bureau of Labor Statistics and the U.S. 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) 597-4213
Fax: (804) 527-4434
E-mail: hwdc@dhp.virginia.gov
Website: www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/

HWDC Staff:

Elizabeth Carter, PhD <i>Executive Director</i>	Yetty Shobo, PhD <i>Deputy Director</i>
Laura Jackson, MSHSA <i>Operations Manager</i>	Rajana Siva, MBA <i>Data Analyst</i>
Christopher Coyle <i>Research Assistant</i>	

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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/PublicResources/HealthcareWorkforceDataCenter/.

The HWDC also provides a series of Virginia Healthcare Workforce Briefs based on data collected by the U.S. Department of Labor's Bureau of Labor Statistics and the U.S. 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 U.S. 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.