



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 38

March 2021

Highlights

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- ◆ In addition to the new income and compensation estimates for Quarter 4 (Q4) 2020 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2010 to Q3 2020.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector continued to recover from its earlier pandemic-related losses. After growing by \$2.6 billion in Q3 2020, total HC&SA earnings in Virginia increased by an additional \$801 million to \$33.1 billion in Q4 2020.
- ◆ There was an even larger increase in the state's total HC&SA employee compensation during the quarter. In Q4 2020, total compensation in Virginia's HC&SA sector increased by \$974 million to \$30.3 billion.
- ◆ In Q4 2020, total HC&SA compensation per employee in Virginia increased by \$945. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$68,431 per year.

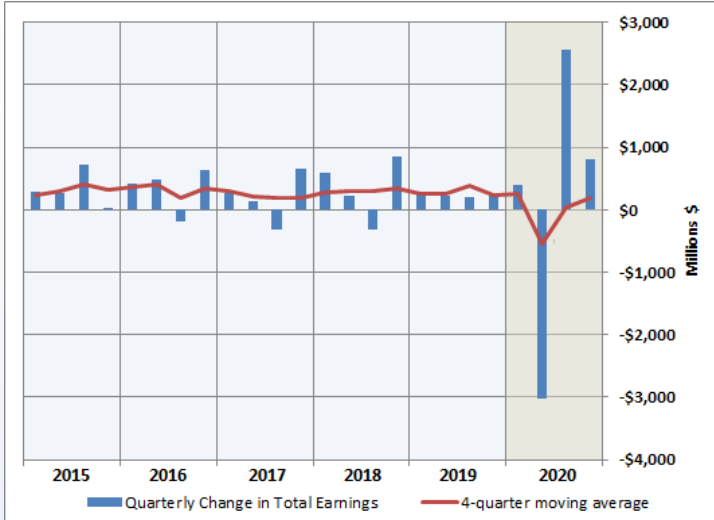
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q4 2019	Q2 2020	Q3 2020	Q4 2020	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$355,245	\$341,216	\$356,579	\$363,123	2.2%	13.3%	7.5%
National	\$13,252,381	\$12,449,875	\$13,255,745	\$13,455,151	1.5%	16.8%	6.2%
Health Care & Social Assistance Earnings							
Virginia	\$32,317	\$29,706	\$32,278	\$33,079	2.4%	24.0%	10.3%
National	\$1,461,668	\$1,374,703	\$1,511,747	\$1,543,070	5.6%	26.0%	8.5%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$29,500	\$27,514	\$29,316	\$30,290	2.7%	21.2%	14.0%
National	\$1,325,184	\$1,268,129	\$1,353,944	\$1,403,660	5.9%	22.5%	15.5%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$63,729	\$65,635	\$67,486	\$68,431	7.4%	8.7%	5.7%
National	\$64,039	\$67,175	\$69,068	\$70,374	9.9%	9.8%	7.8%

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.

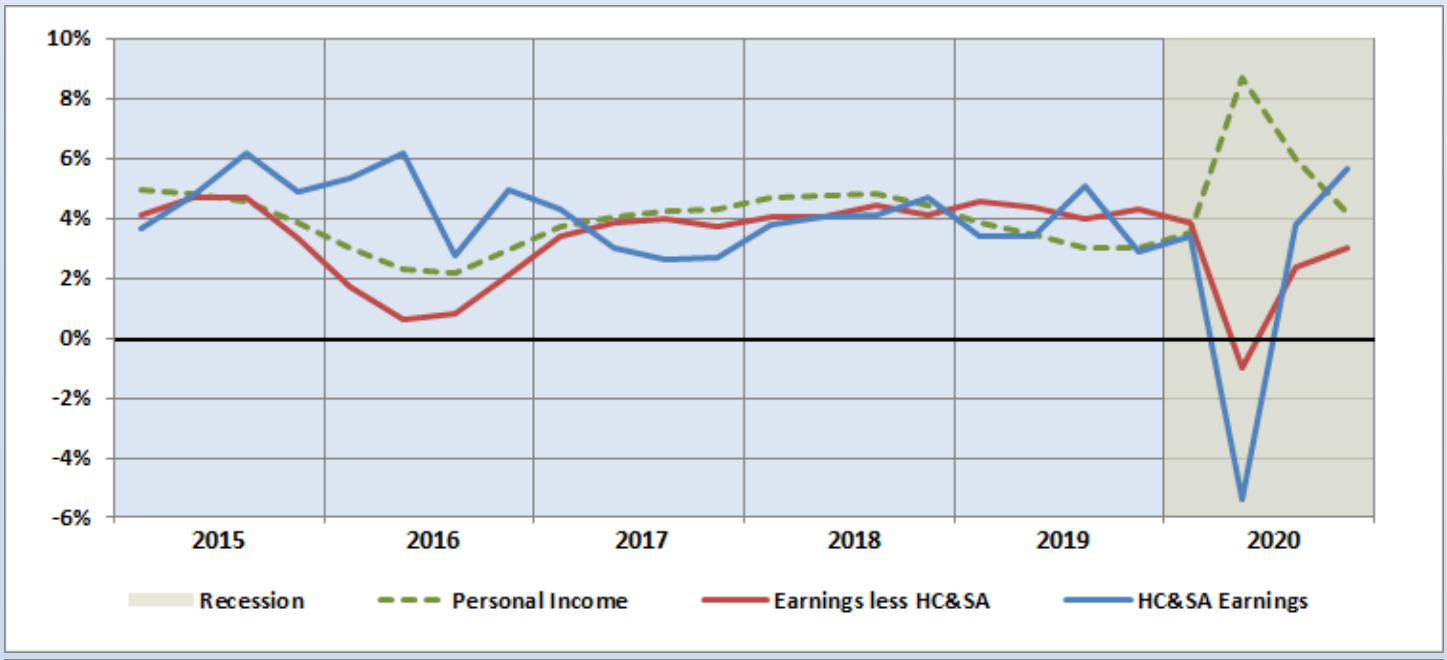


According to the preliminary data released on Wednesday, March 24, 2021 by the U.S. Bureau of Economic Analysis, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector enjoyed another strong quarter of growth as the state's economy continues to recover from the dramatic disruptions that occurred as a result of the coronavirus pandemic. In Q4 2020, total earnings in Virginia's HC&SA sector increased by \$801 million to \$33.1 billion, a gain that represents a three-month annualized growth rate of 10.3%. This gain comes on the heels of the historic increase in Virginia's total HC&SA earnings during the previous quarter. In Q3 2020, total earnings in Virginia's HC&SA sector grew by \$2.6 billion. Thanks to these large gains over the past two quarters, Virginia's HC&SA sector has already fully recovered from the unparalleled decline in total earnings that took place in Q2 2020.

Virginia HC&SA Earnings Growth Rate

In Q2 2020, the four-quarter moving averages of Virginia's total HC&SA earnings, non-HC&SA earnings, and personal income all diverged wildly from their respective long-term trend lines, yet another indicator of the dramatic consequences that resulted from the emergence of the coronavirus pandemic. However, these moving averages have returned back to more normal levels over the past six months, demonstrating the degree to which Virginia's economy has stabilized during the post-lockdown economic recovery period. In fact, the rebound in the four-quarter growth rate moving average of Virginia's total HC&SA earnings has been particularly impressive. In Q4 2020, this moving average increased from 3.81% to 5.68%. At the same time, the comparable moving average for total non-HC&SA earnings rose from 2.35% to 3.01%. As for Virginia's personal income, its four-quarter growth rate moving average fell from 5.96% to 4.19% in Q4 2020.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

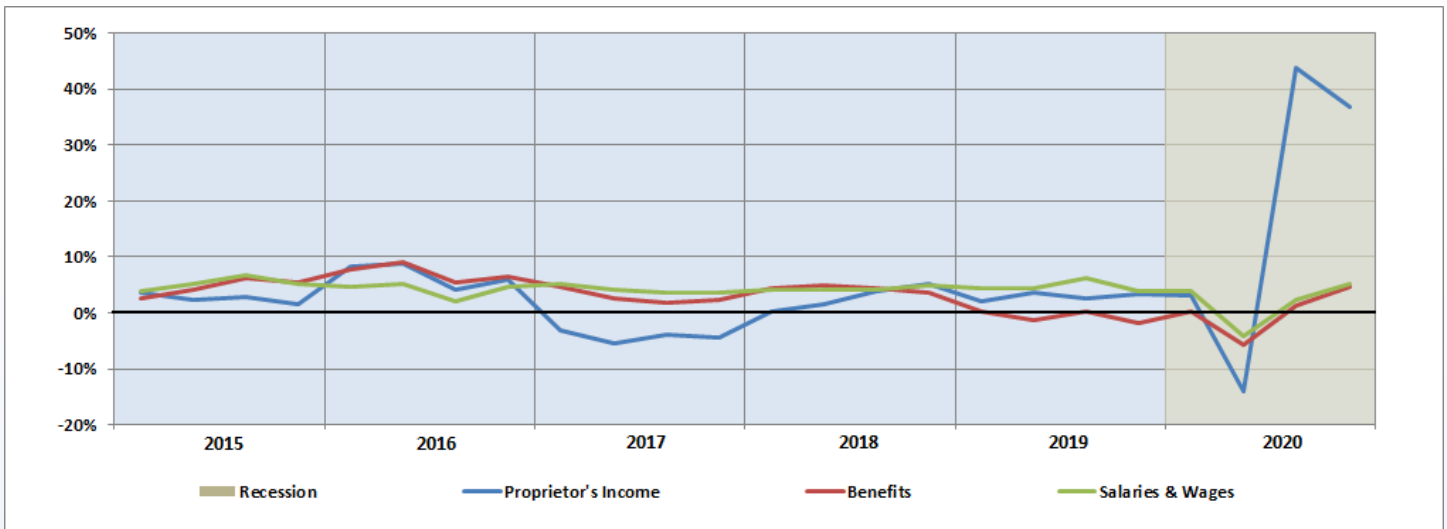


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

After experiencing a dramatic spike during the previous quarter, the four-quarter growth rate moving average of HC&SA proprietor’s income pulled back slightly in Q4 2020, falling from 43.88% to 36.75%. Regardless, this moving average remains quite elevated compared to historical levels. In fact, it has been nearly 20 years since the last time the four-quarter growth rate moving average of HC&SA proprietor’s income has exceeded 30%. While the four-quarter growth rate moving average for HC&SA proprietor’s income declined, the comparable moving averages for both HC&SA employee salaries & wages and HC&SA employee benefits grew in Q4 2020. HC&SA employee salaries & wages saw its moving average increase from 2.33% to 5.11%, while that of HC&SA employee benefits increased from 1.34% to 4.76%.

Annual Growth by Earnings Type

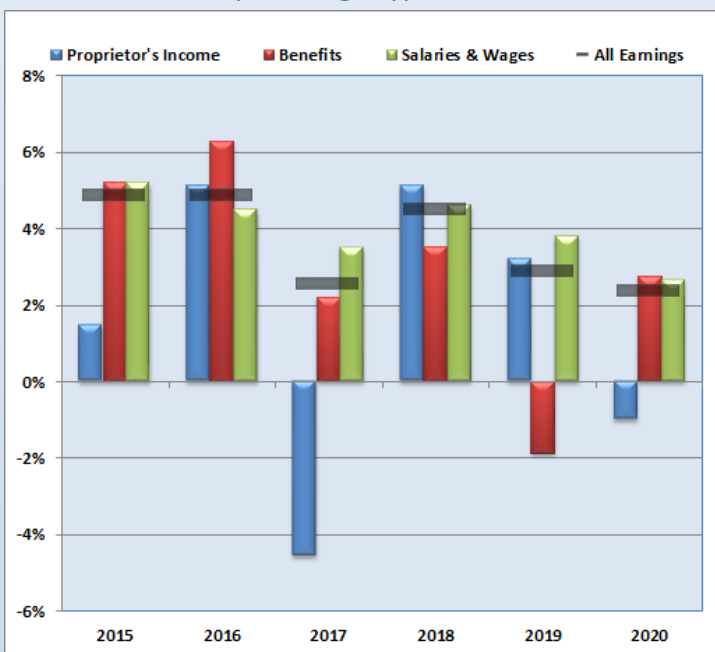


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Although Virginia’s HC&SA sector underwent substantial changes in 2020 as a result of the coronavirus pandemic, including a significant decline in overall employment, this instability did not translate into a decline in total HC&SA earnings during the past year. In fact, total HC&SA earnings in Virginia grew by 2.4% in 2020. Despite the fact that total HC&SA earnings grew at their lowest annual rate in a decade, this growth is still quite impressive given the extenuating circumstances of the past year.

This year’s growth in Virginia’s HC&SA earnings was driven by gains in HC&SA employee compensation. HC&SA employee benefits grew the fastest in 2020 thanks to its 2.8% annual growth rate. At the same time, HC&SA employee salaries & wages increased at a 2.7% rate over the past year. On the other hand, HC&SA proprietor’s income declined by 1.0% in 2020.

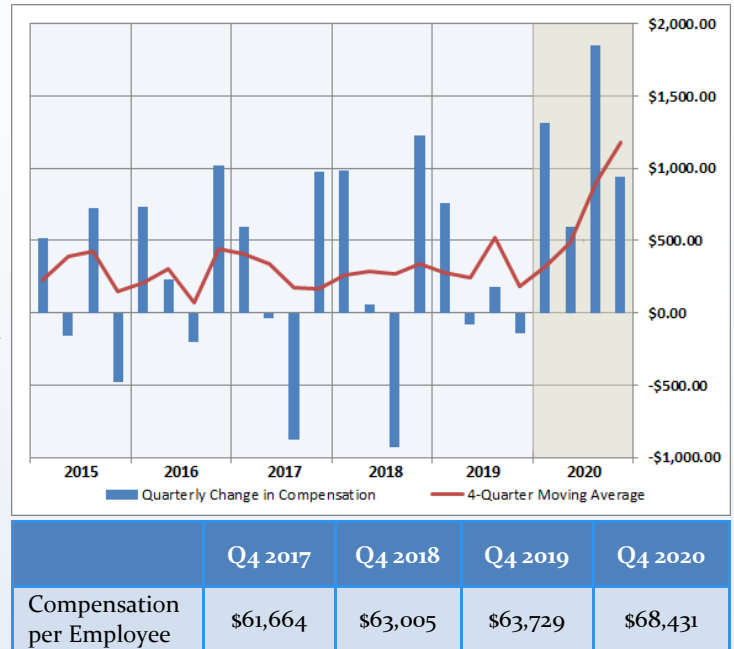
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,789	8.4%
Benefits	\$4,878	14.7%
Salaries & Wages	\$25,412	76.8%
Total	\$33,079	100%

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 \$68,431 (annualized) in Q4 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.

Total compensation per employee in Virginia’s HC&SA sector increased for the fourth consecutive quarter, growing by \$945 in Q4 2020. This gain represents a three-month annualized earnings growth rate of 5.7%. This quarter’s gain concludes an impressive year of growth for Virginia’s total HC&SA compensation per employee, which increased by \$4,703 in 2020. This translates into an average quarterly gain of \$1,176, which represents the highest value for the four-quarter moving average of total HC&SA compensation per employee in well over one decade.

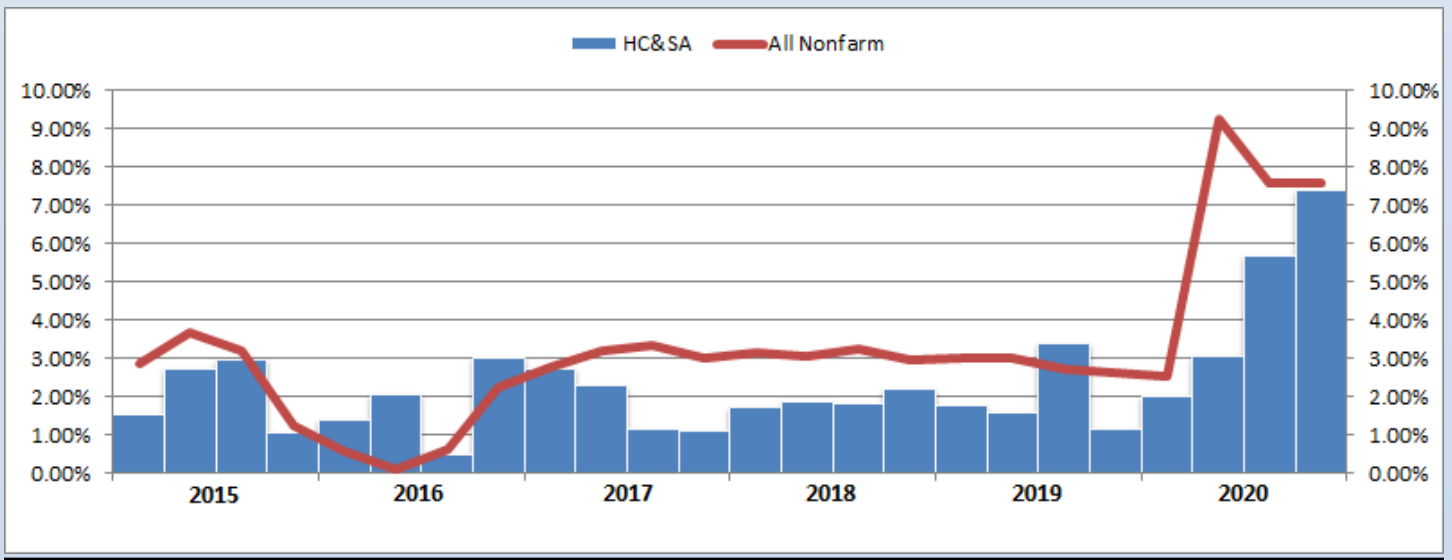
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

Over the course of 2020, the year-over-year growth rate of Virginia’s total HC&SA compensation per employee has increased in a strong and consistent manner. At the end of 2019, this growth rate had fallen to a two-year low of 1.15%. However, the year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector has since increased for four consecutive quarters. In Q4 2020, this growth rate rose from 5.66% to 7.38%. In the process, the year-over-year growth rate of the state’s total HC&SA compensation per employee reached its highest value since 2002. Virginia’s total nonfarm payroll compensation per employee is also experiencing strong long-term growth. Despite falling slightly in Q4 2020, its year-over-year growth rate remains quite impressive at 7.59%.

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.



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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/](http://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)

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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.
