



Virginia Healthcare Workforce Briefs

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

Series 3, Issue 40

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Highlights

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- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2021 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 1998 to Q1 2021.
- ◆ For the fourth consecutive quarter, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased. In Q2 2021, total HC&SA earnings in Virginia grew by \$297 million to \$35.6 billion, a gain that represents a three-month annualized growth rate of 3.4%.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$344 million to \$32.6 billion in Q2 2021. This gain translates into a 4.3% annualized growth rate.
- ◆ Total HC&SA compensation per employee in Virginia increased by \$429 in Q2 2021. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$73,420 per year.

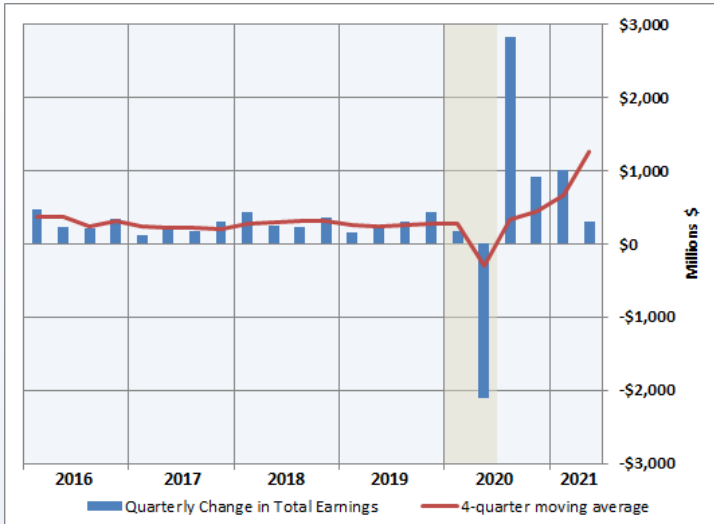
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2020	Q4 2020	Q1 2021	Q2 2021	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$341,089	\$370,492	\$369,863	\$375,565	10.1%	2.8%	6.3%
National	\$12,481,824	\$13,675,464	\$13,784,972	\$14,123,887	13.2%	6.7%	10.2%
Health Care & Social Assistance Earnings							
Virginia	\$30,529	\$34,280	\$35,293	\$35,590	16.6%	7.8%	3.4%
National	\$1,383,536	\$1,550,887	\$1,559,655	\$1,580,682	14.2%	3.9%	5.5%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$28,419	\$31,438	\$32,301	\$32,645	14.9%	7.8%	4.3%
National	\$1,278,224	\$1,411,747	\$1,413,461	\$1,431,603	12.0%	2.8%	5.2%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$67,793	\$71,025	\$72,991	\$73,420	8.3%	6.9%	2.4%
National	\$67,710	\$70,779	\$71,206	\$71,575	5.7%	2.3%	2.1%

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.



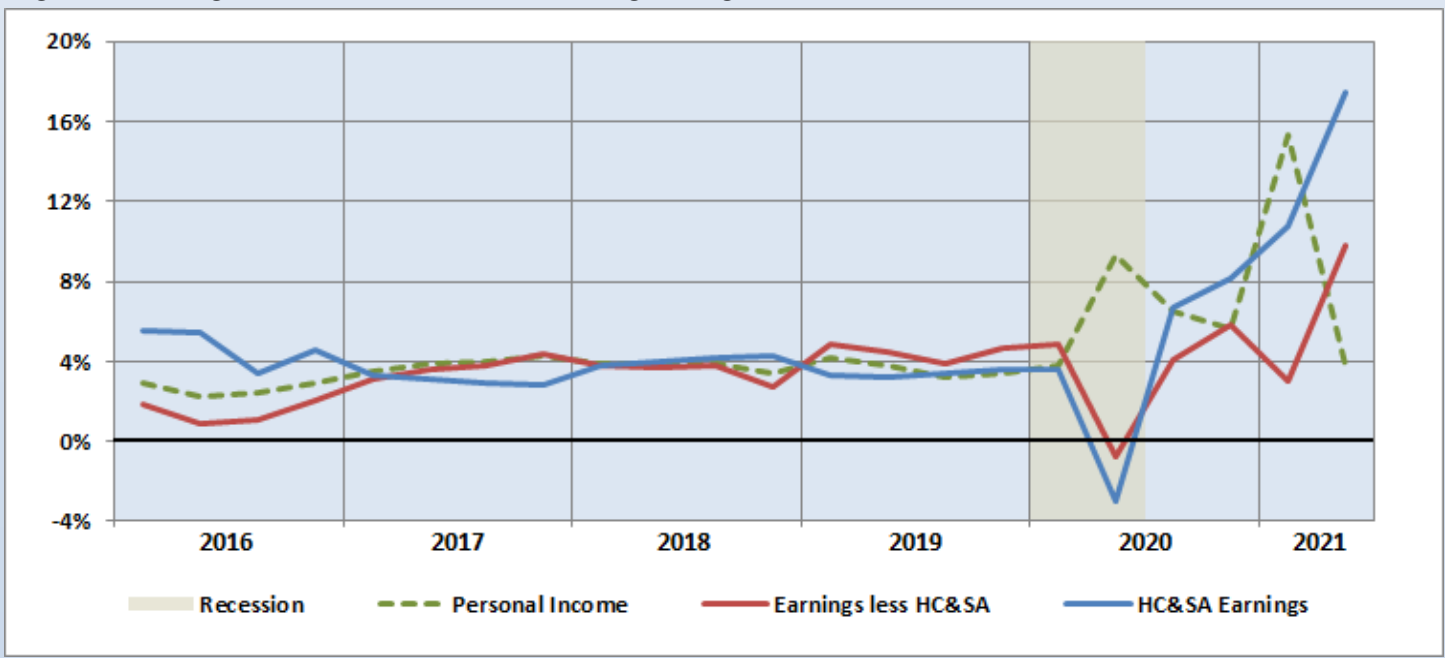
According to the preliminary data released on Thursday, September 23, 2021 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$297 million in Q2 2021, a gain that translates into a three-month annualized growth rate of 3.4%. With this gain, total HC&SA earnings in the state amount to \$35.6 billion. In addition, this increase represents the fourth consecutive quarter in which total HC&SA earnings in Virginia have increased.

Although this quarter’s increase in total HC&SA earnings is considerably smaller than the gains observed in the prior three quarters, it still continues the impressive rebound in this sector over the past year. Since Q3 2020, total HC&SA earnings in Virginia have increased by \$5.1 billion. This increase represents a strong four-quarter earnings growth rate of 16.6%.

Virginia HC&SA Earnings Growth Rate

Thanks to the dramatic growth in total HC&SA earnings in Virginia over the past year, its four-quarter growth rate moving average has surged to historic levels in 2021. After increasing to its highest value in nearly two decades in Q1 2021, the four-quarter growth rate moving average of Virginia’s total HC&SA earnings experienced another sharp increase to 17.46% in Q2 2021. The four-quarter growth rate moving average of Virginia’s total non-HC&SA earnings has followed a similar upward ascent over the past year, albeit in a somewhat less pronounced fashion. In Q2 2021, this moving average increased from 3.06% to 9.82%, thereby reaching its highest level since Q3 2000. On the other hand, the four-quarter growth rate moving average for the state’s personal income has been following a more countercyclical pattern. In fact, this moving average fell dramatically from 15.30% to 3.76% in Q2 2021.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

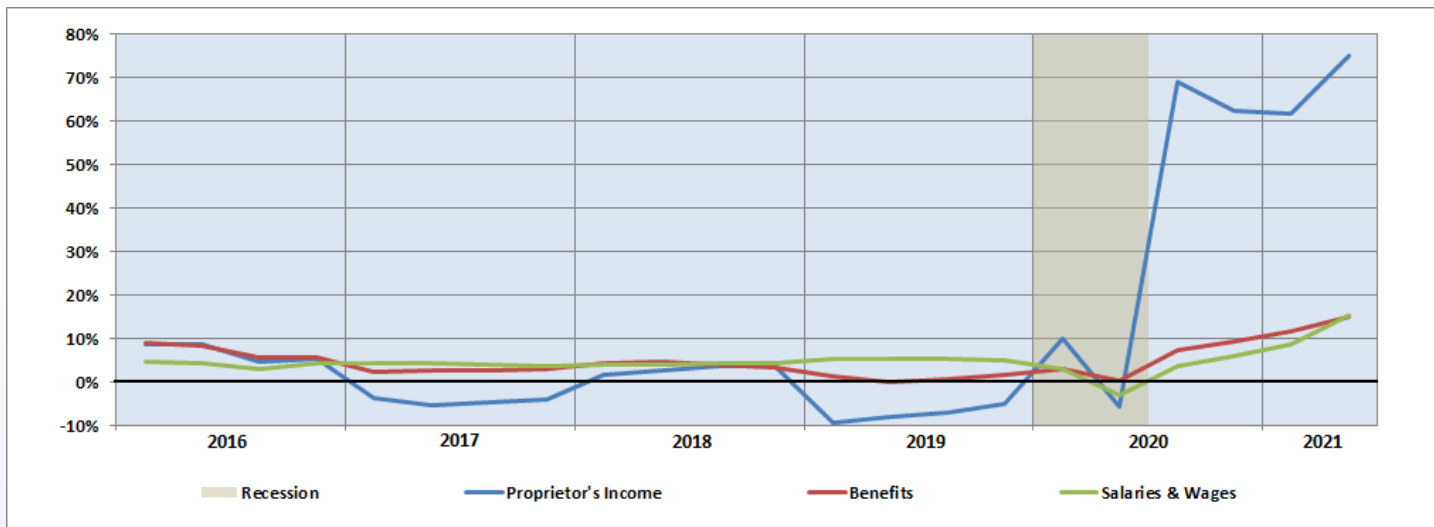


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

The post-lockdown economic recovery period has been associated with an enormous increase in the four-quarter growth rate moving average of the state’s HC&SA proprietor’s income. Ever since Q3 2020, the four-quarter growth rate moving average of HC&SA proprietor’s income has never fallen below 60%. In fact, this moving average reached a new high in Q2 2021 after increasing from 61.73% to 75.18%. The comparable moving averages for both forms of HC&SA employee compensation also reached new highs during the quarter. The four-quarter growth rate moving average for HC&SA employee salaries & wages nearly doubled in Q2 2021 from 8.88% to 15.30%. As for HC&SA employee benefits, its four-quarter growth rate moving average increased from 11.84% to 15.03%.

Annual Growth by Earnings Type

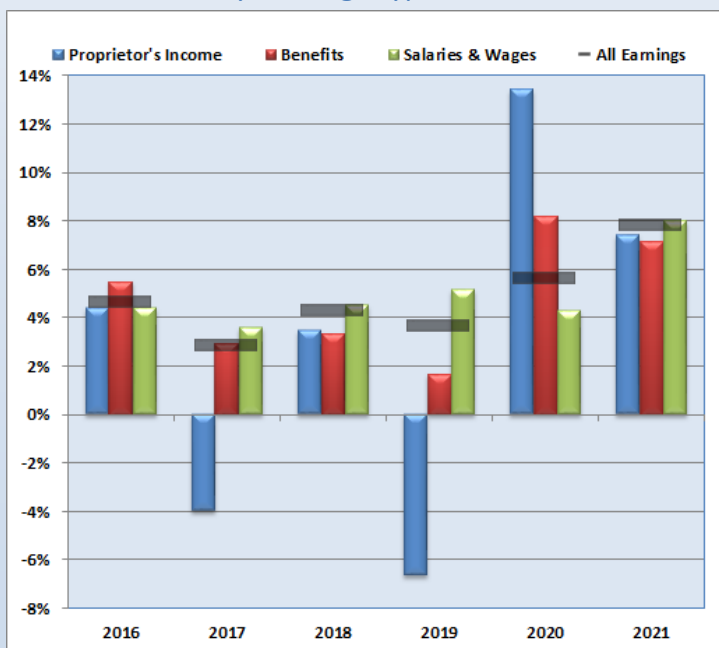


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Although there is a substantial disparity between the four-quarter growth rate moving average of HC&SA proprietor’s income and the comparable moving averages of both forms of HC&SA employee compensation, there is no such differential with respect to their annualized growth rates. In fact, HC&SA proprietor’s income is growing slightly below the overall average for total HC&SA earnings. So far in 2021, HC&SA proprietor’s income has grown at a 7.4% annualized rate. This level is well below the 13.4% growth rate in HC&SA proprietor’s income in 2020. HC&SA employee benefits have also seen a slowdown in their growth rate so far this year. Whereas HC&SA employee benefits grew by 8.2% in 2020, they are currently growing at a 7.1% annualized rate in 2021. Meanwhile, HC&SA employee salaries are growing at a 8.0% annualized rate in 2021. This represents the highest annualized growth rate for HC&SA employee salaries since 2007.

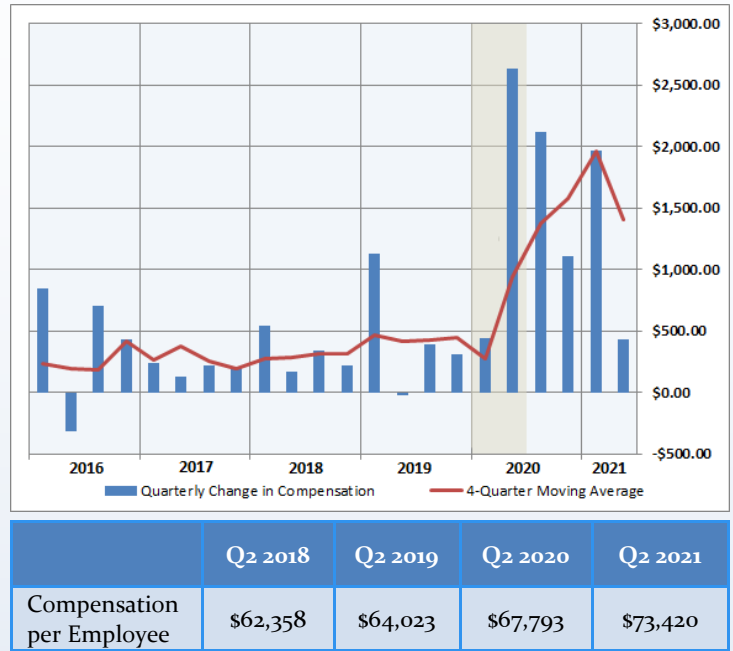
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,945	8.3%
Benefits	\$5,495	15.4%
Salaries & Wages	\$27,150	76.3%
Total	\$35,590	100%

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 \$73,420 (annualized) in Q2 2021. 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 by \$429, a gain that represents a three-month annualized growth rate of 2.4%. This growth rate is above the comparable national HC&SA average of 2.1%. With this gain, total HC&SA compensation per employee has increased in each of the past eight quarters. Regardless, this quarter’s increase is considerably smaller than the gains from prior quarters. In fact, this result represents the first time since Q1 2020 in which total HC&SA compensation per employee has not increased by at least \$1,000.

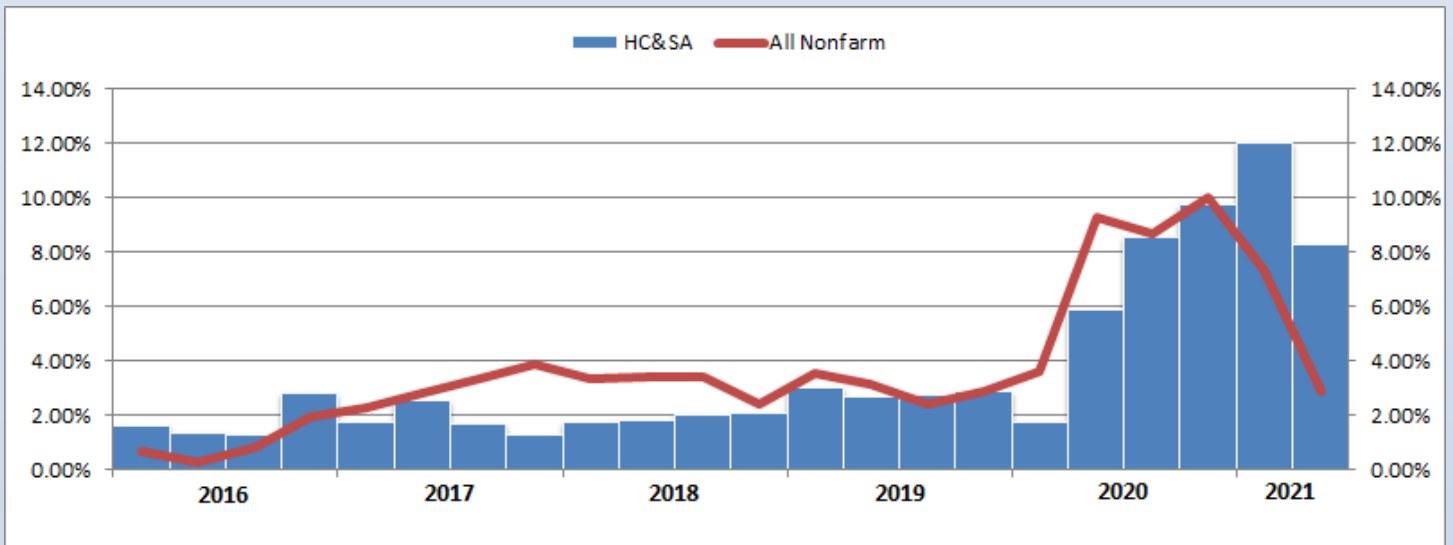
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

In Q2 2021, there was a decline in the year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector, which fell from 12.01% to 8.30% during the quarter. With this decline, the year-over-year growth rate of total HC&SA compensation per employee has fallen to its lowest level in one year. Regardless, this growth rate is still well above the comparable growth rate for Virginia’s total nonfarm payroll compensation per employee. The year-over-year growth rate of the state’s total nonfarm payroll compensation per employee also experienced a significant decline in Q2 2021. This growth rate fell from 7.36% to 2.84% during the quarter. At this level, the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee has fallen to its lowest level in nearly two years.

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.
