



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 48

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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.

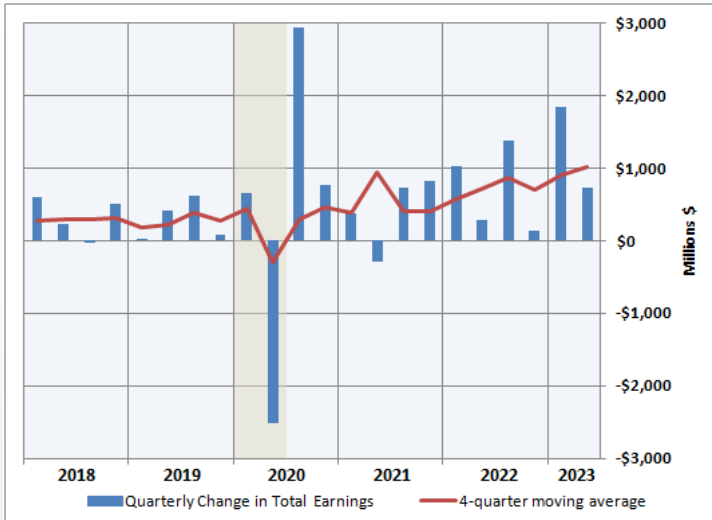
- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2023 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 1998 to Q1 2023.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$731 million to \$41.3 billion in Q2 2023, a gain that translates into a 7.4% annualized growth rate. So far this year, total statewide HC&SA earnings have increased by \$2.6 billion.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$662 million to \$38.1 billion in Q2 2023. This increase in total HC&SA employee compensation translates into a 7.3% annualized growth rate.
- ◆ Virginia's total HC&SA compensation per employee increased by \$440 in Q2 2023. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$80,493 per year.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2022	Q4 2022	Q1 2023	Q2 2023	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$405,449	\$420,905	\$426,988	\$432,836	6.8%	5.7%	5.6%
National	\$15,048,659	\$15,474,726	\$15,765,701	\$15,969,016	6.1%	6.5%	5.3%
Health Care & Social Assistance Earnings							
Virginia	\$37,160	\$38,671	\$40,519	\$41,250	11.0%	13.8%	7.4%
National	\$1,664,494	\$1,726,276	\$1,774,464	\$1,809,531	8.7%	9.9%	8.1%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$34,329	\$35,704	\$37,457	\$38,119	11.0%	14.0%	7.3%
National	\$1,525,398	\$1,580,556	\$1,624,027	\$1,655,690	8.5%	9.7%	8.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$74,878	\$76,193	\$80,053	\$80,493	7.5%	11.6%	2.2%
National	\$81,533	\$82,340	\$84,273	\$85,008	4.3%	6.6%	3.5%

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.



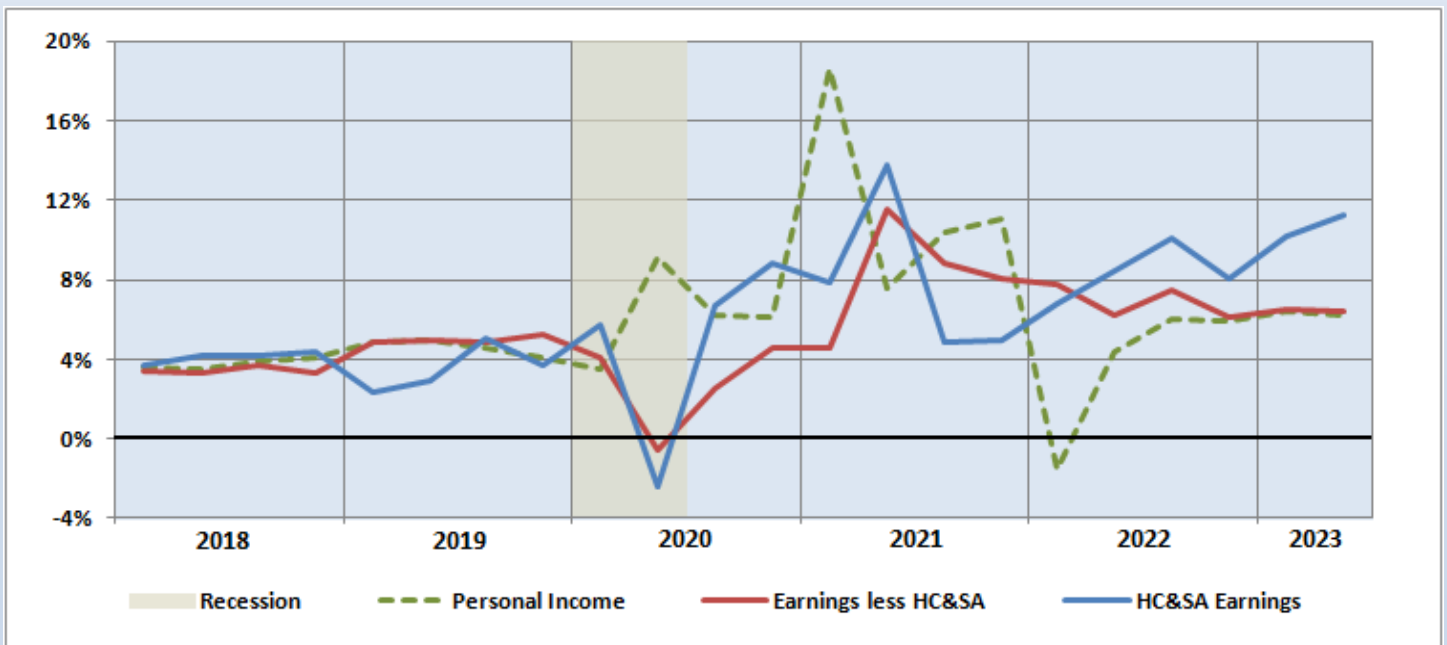
According to the preliminary data released on Friday, September 29, 2023, by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector rose for the eighth consecutive quarter after increasing by \$731 million to \$41.3 billion in Q2 2023. This increase in Virginia’s total HC&SA earnings represents a three-month annualized growth rate of 7.4%.

Virginia’s HC&SA sector has enjoyed particularly strong earnings growth in 2023. So far this year, total HC&SA earnings in Virginia have increased by \$2.6 billion, which translates into an impressive 13.8% annualized growth rate. This six-month annualized earnings growth rate exceeds the overall national average of 9.9%. This is also the case with respect to long-term growth: Over the past year, statewide HC&SA earnings have grown by 11.0%, which exceeds the comparable 8.7% growth rate for the national HC&SA sector.

Virginia HC&SA Earnings Growth Rate

In Q2 2023, the four-quarter growth rate moving average of Virginia’s total HC&SA earnings increased from 10.19% to 11.25%, thereby reaching its highest value in two years. This continues a recent trend of remarkably strong earnings growth in the state’s HC&SA sector. In three of the past four quarters, the four-quarter growth rate moving average of Virginia’s total HC&SA earnings has been above 10%. Virginia’s HC&SA sector last sustained double-digit average earnings growth over multiple quarters back in 2002. With this increase, the four-quarter growth rate moving average of Virginia’s total HC&SA earnings is now nearly double the comparable moving average for the state’s non-HC&SA earnings, which fell slightly from 6.47% to 6.37% in Q2 2023. As for the state’s personal income, its four-quarter growth rate moving average fell from 6.46% to 6.22% in Q2 2023.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

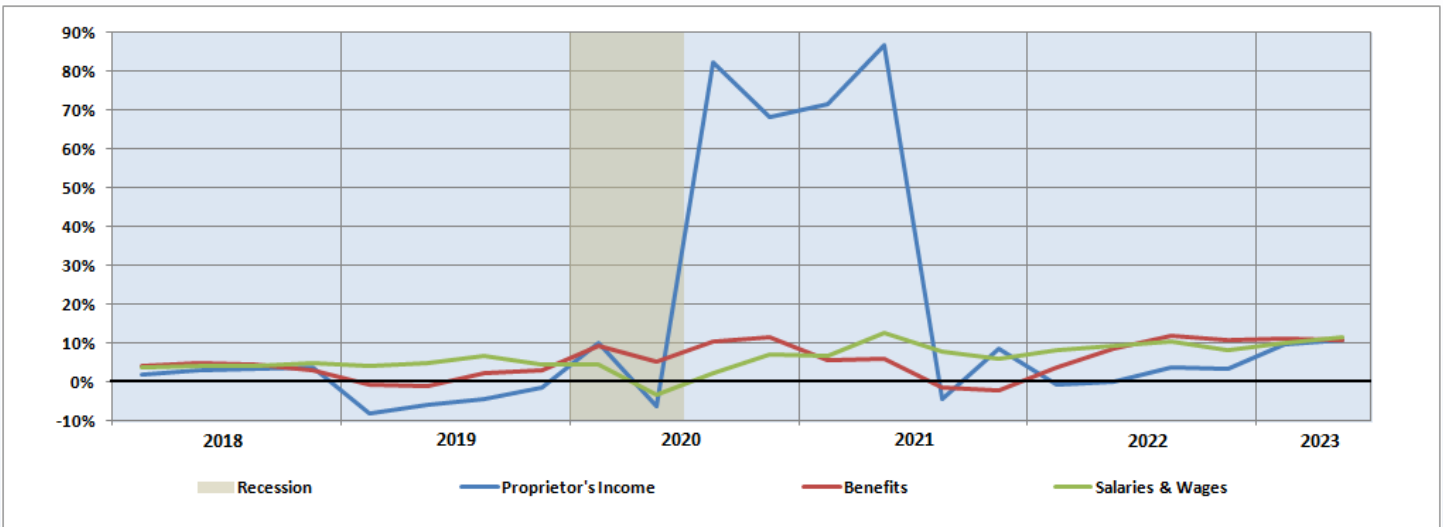


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

For the first time in more than twenty years, HC&SA proprietor’s income and both forms of HC&SA employee compensation all have four-quarter growth rate moving averages that exceed 10% at the same time. HC&SA employee salaries & wages saw their four-quarter growth rate moving average increase from 10.07% to 11.40% in Q2 2023. With this increase, HC&SA employee salaries & wages now have a higher four-quarter growth rate moving average than either HC&SA employee benefits or HC&SA proprietor’s income. HC&SA proprietor’s income also experienced an increase to its four-quarter growth rate moving average in Q2 2023 from 9.54% to 10.63%, but the comparable moving average for HC&SA employee benefits fell from 11.20% to 10.88% during the quarter.

Annual Growth by Earnings Type

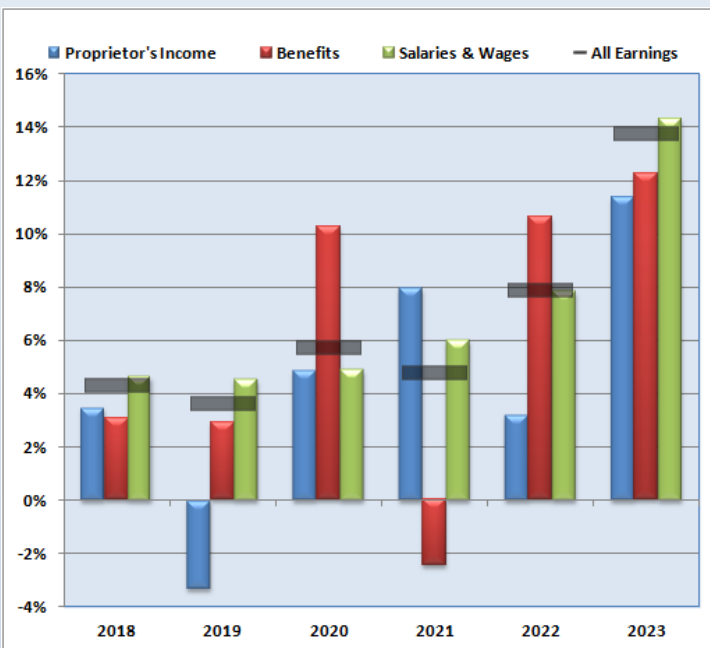


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Virginia’s HC&SA sector has enjoyed impressive earnings growth through the first half of the year. During the first two quarters of 2023, Virginia’s HC&SA earnings have grown at a 13.8% annualized rate. If Virginia’s HC&SA sector can maintain this rapid growth through the next two quarters, it would represent the fastest annual growth rate for the state’s HC&SA earnings in the past two decades. Virginia’s HC&SA earnings growth has been driven by broad-based gains in HC&SA proprietor’s income and both forms of HC&SA employee compensation, all of which are currently growing at double-digit rates. Among these three types of earnings, HC&SA employee salaries & wages are currently enjoying the fastest growth thanks to its 14.3% annualized growth rate in 2023. At the same time, HC&SA employee benefits have grown by 12.2% on an annualized basis, while HC&SA proprietor’s income has increased at a 11.4% annualized rate so far in 2023.

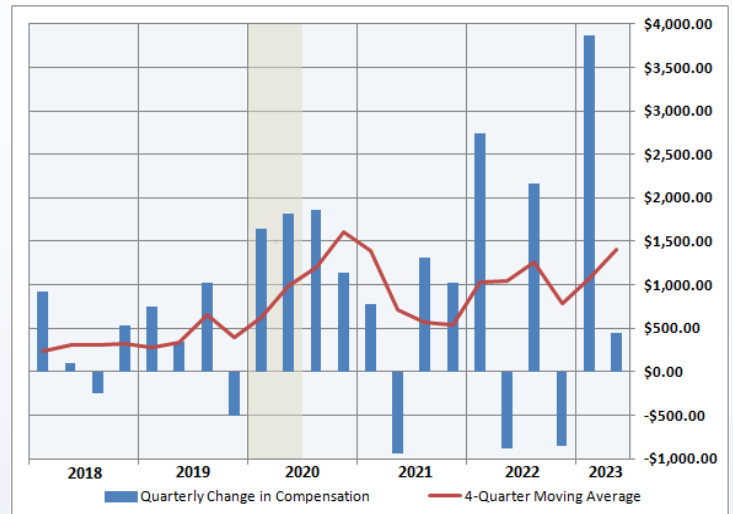
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,131	7.6%
Benefits	\$6,235	15.1%
Salaries & Wages	\$31,884	77.3%
Total	\$41,250	100%

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 \$80,493 (annualized) in Q2 2023. 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 Q2 2023, total compensation per employee in Virginia’s HC&SA sector increased by \$440, a quarterly gain that represents a 2.2% annualized growth rate. Although this quarter’s growth rate was below the 3.5% national average, the long-term growth in the state’s total HC&SA compensation per employee has been quite impressive. Virginia’s total HC&SA compensation per employee has grown at a 11.6% annualized rate so far in 2023 and at a 7.5% rate over the past four quarters. Both of these growth rates are approximately 75% higher than the comparable averages for the national HC&SA sector as a whole.

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

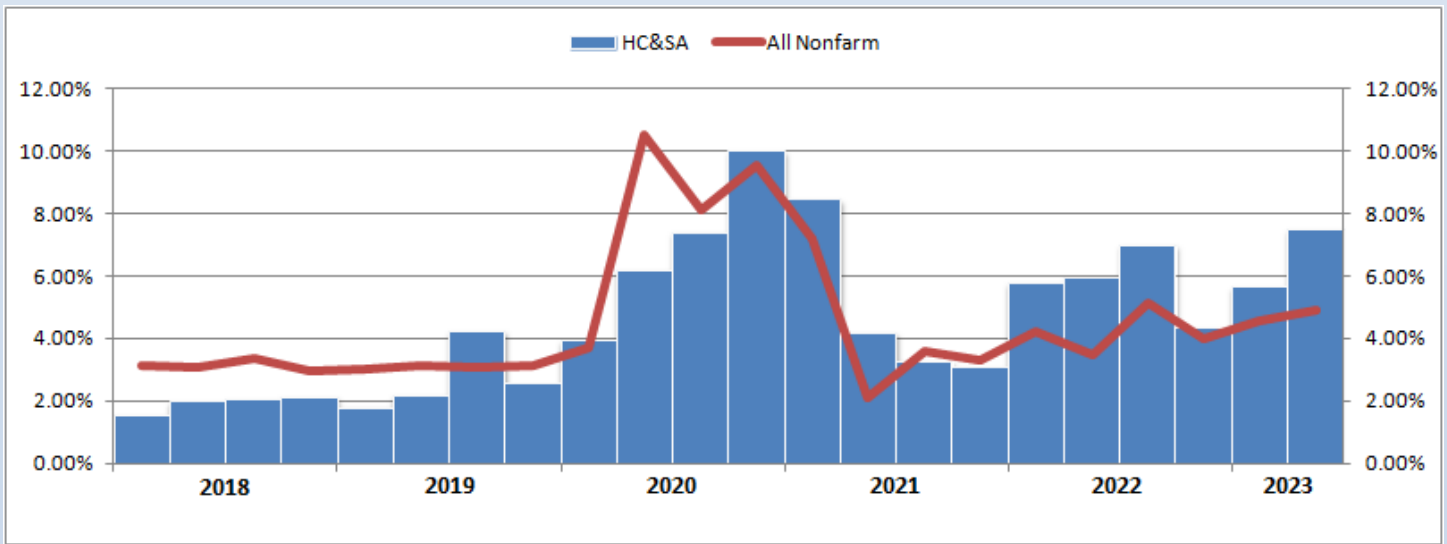


	Q2 2020	Q2 2021	Q2 2022	Q2 2023
Compensation per Employee	\$67,849	\$70,689	\$74,878	\$80,493

Compensation per Employee Growth Rate

In Q2 2023, the year-over-year growth rate of Virginia’s total HC&SA compensation per employee increased from 5.66% to 7.50%. With this increase, Virginia’s HC&SA sector is now enjoying the fastest year-over-year growth rate in total compensation per employee in more than two years. In fact, this growth rate has more than doubled over the past one-and-a-half years ever since falling to a two-year low of 3.07% in Q4 2021. Meanwhile, the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee reached its highest value since Q3 2022 after increasing from 4.54% to 4.88% in Q2 2023. This growth rate has also more than doubled over the past eight quarters after having fallen to a nearly five-year low of 2.08% in Q2 2021.

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 the 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's Bureau of Economic Analysis.

Virginia Healthcare Workforce Briefs:

Series 1: State & National Employment (Monthly)

Series 2: Virginia Regional & Sectoral 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.
