



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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Highlights

- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector rose by \$209 million to \$25.03 billion in Q1 2013. This represents a three-month annualized growth rate of 3.4%.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$196 million to \$22.65 billion in Q1 2013. This represents a three-month annualized growth rate of 3.5%.
- ◆ Compensation per employee in Virginia's HC&SA sector increased by \$564 to \$56,594 in Q1 2013. This represents a three-month annualized growth rate of 4.1%.
- ◆ For Q4 2012, HC&SA earnings, total employee compensation and compensation per employee were revised downward by \$239 million, \$256 million and \$639, respectively.

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 2012	Q3 2012	Q4 2012	Q1 2013	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$284,985	\$287,733	\$290,437	\$292,807	2.7%	3.6%	3.3%
National	\$9,676,252	\$9,777,337	\$9,990,475	\$10,014,900	3.5%	4.9%	1.0%
Health Care & Social Assistance Earnings							
Virginia	\$24,586	\$24,692	\$24,820	\$25,029	1.8%	2.7%	3.4%
National	\$1,062,649	\$1,072,302	\$1,087,842	\$1,095,869	3.1%	4.4%	3.0%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$22,255	\$22,350	\$22,451	\$22,647	1.8%	2.7%	3.5%
National	\$938,252	\$947,347	\$961,442	\$968,766	3.3%	4.6%	3.1%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$57,541	\$56,678	\$56,029	\$56,594	-1.6%	-0.3%	4.1%
National	\$55,790	\$55,807	\$56,042	\$56,395	1.1%	2.1%	2.5%

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.



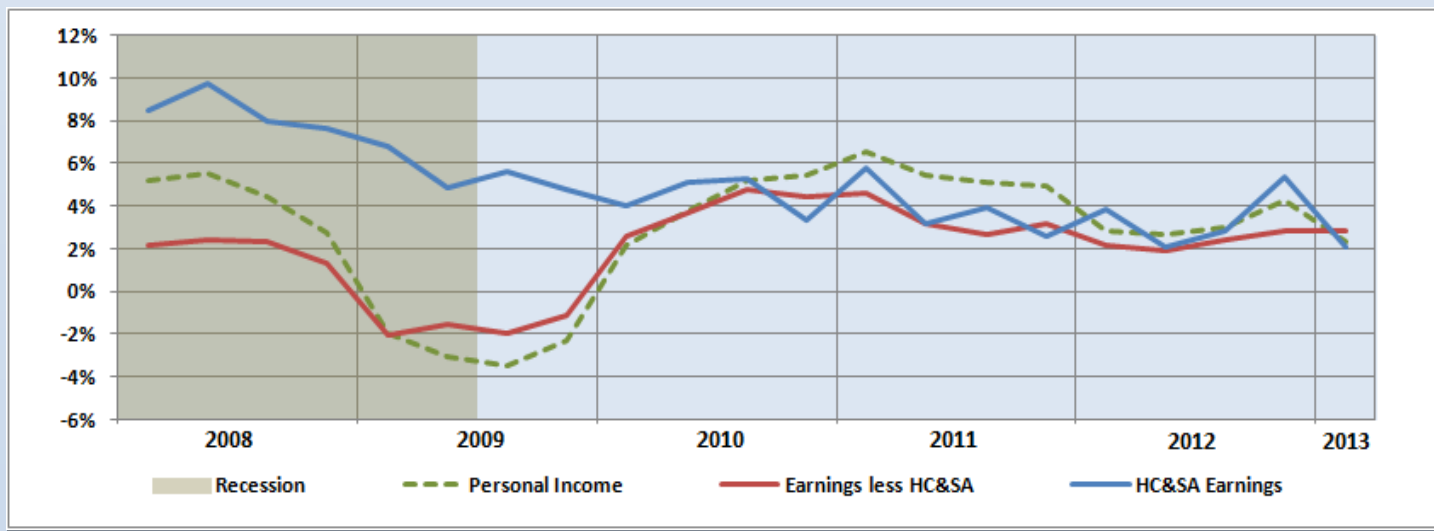
According to data released June 28, 2013 by the U.S. Bureau of Economic Analysis, earnings in Virginia's HC&SA sector increased by \$209 million in Q1 2013 to \$25.03 billion. However, these gains were matched by a downward revision to Q4 2012 HC&SA earnings, which were revised downward by \$239 million, reducing Q4's gain to \$128 million. For the first time since 2010, HC&SA earnings have risen for three consecutive quarters, during which time earnings have increased by nearly \$1 billion.

Despite the gains in Q1 2013, the four-quarter moving average of HC&SA earnings fell by nearly 62% to \$111 million. This drop continues a long-term decline in the four-quarter moving average of HC&SA earnings. After reaching a peak of \$461 million in Q2 2008, the moving average has fallen by more than three-quarters and is now at its second-lowest value since the U.S. emerged from recession in Q3 2009.

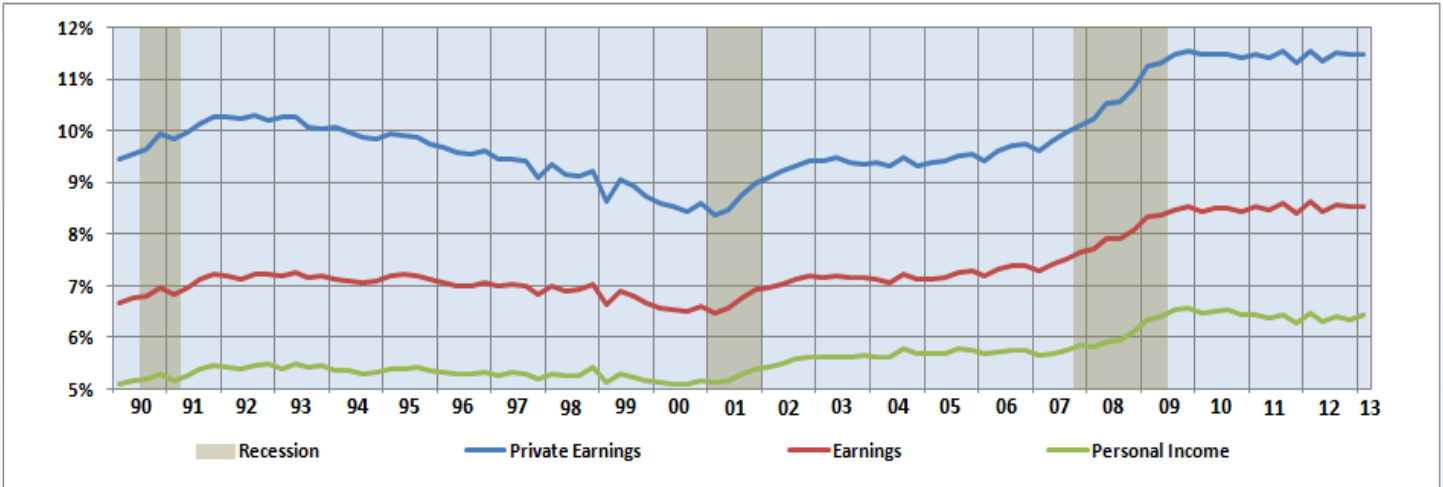
Virginia HC&SA Earnings Growth Rate

In Q1 2013, Virginia's HC&SA earnings growth rate continued its convergence with growth in the rest of Virginia's economy. HC&SA earnings growth peaked at over 11% in 2008 and remained positive throughout the recession. This diverged widely with earnings in the rest of the economy, which experienced extreme volatility, including losses in several quarters. In particular, proprietor's income experienced exceptional growth through the recession and the early part of the recovery (see Figure 4). Since mid-2010, however, earnings growth in Virginia's HC&SA sector has slowly diminished, to match the moderate post-recession growth in the rest of the economy. Additionally, salaries and wages and benefits are slowly returning to their traditional role as the main driver of earnings growth in the sector. Although HC&SA employment also grew during the recession, along with employee compensation, proprietors benefitted disproportionately from recession-linked growth, at least through the recession and the early recovery.

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



Share of Earnings

Figure 3: The Health Care and Social Assistance Sector's Share of Earnings and Income in Virginia

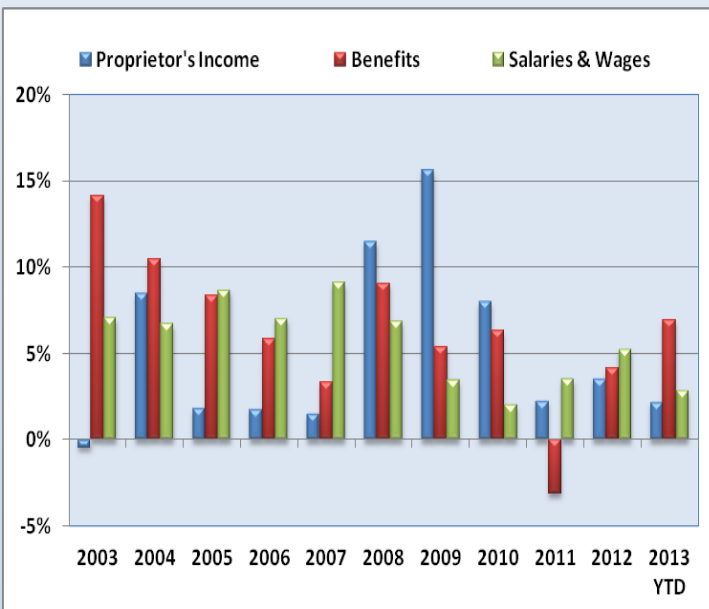
Similar to what occurred following the 2001 recession, HC&SA earnings have maintained their elevated share of the economy even after the recession ended. Currently, the HC&SA sector accounts for 8.55% of all earnings in Virginia, including 11.48% of private earnings. Additionally, Virginia's HC&SA sector accounts for 6.43% of personal income in the state. Prior to climbing just before the recession, the HC&SA sector accounted for just over 7.1% of earnings and just under 9.5% of private earnings.

Personal Income includes all income from all sources.

Earnings includes employee compensation and proprietors income. They do not include unearned income, such as non-business related interest, dividends, and rents, government payments, payments from pension funds, lawsuits, etc.

Private Earnings is all earnings less incomes from federal, state or local governments or the military. Private earnings include earnings from non-profits.

Growth by Earnings Type

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

As noted in an earlier section, proprietor's income experienced exceptionally strong growth through the recession and immediate post-recession recovery, outpacing both salaries and benefits. This is in sharp contrast to the boom years, when salaries and benefits outpaced profits, often by a wide margin. As the post-recession recovery has stabilized, the distribution of earnings growth appears to be returning to form.

In Q1 2013, HC&SA earnings growth was driven primarily by benefits, which increased at a 6.9% annualized rate, more than twice the rate of overall earnings growth. Salaries & wages grew at a 2.9% annualized rate, while proprietor's income grew most slowly, at a 2.2% annualized rate.

Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,382	9.5%
Benefits	\$3,863	15.4%
Salaries & Wages	\$18,784	75.0%
Total	\$25,029	100%

Historical Growth Rate of Personal Income

Over the past three years, personal income growth in Virginia has been most pronounced in natural resource industries like mining, forestry and real estate. The HC&SA sector has experienced personal income growth as well, but its growth rate has declined continuously in each time period. Two years ago, personal income growth stood at 5.61%, but this growth has declined to 1.80% in the most recent 12-month period, a decline of more than two-thirds.

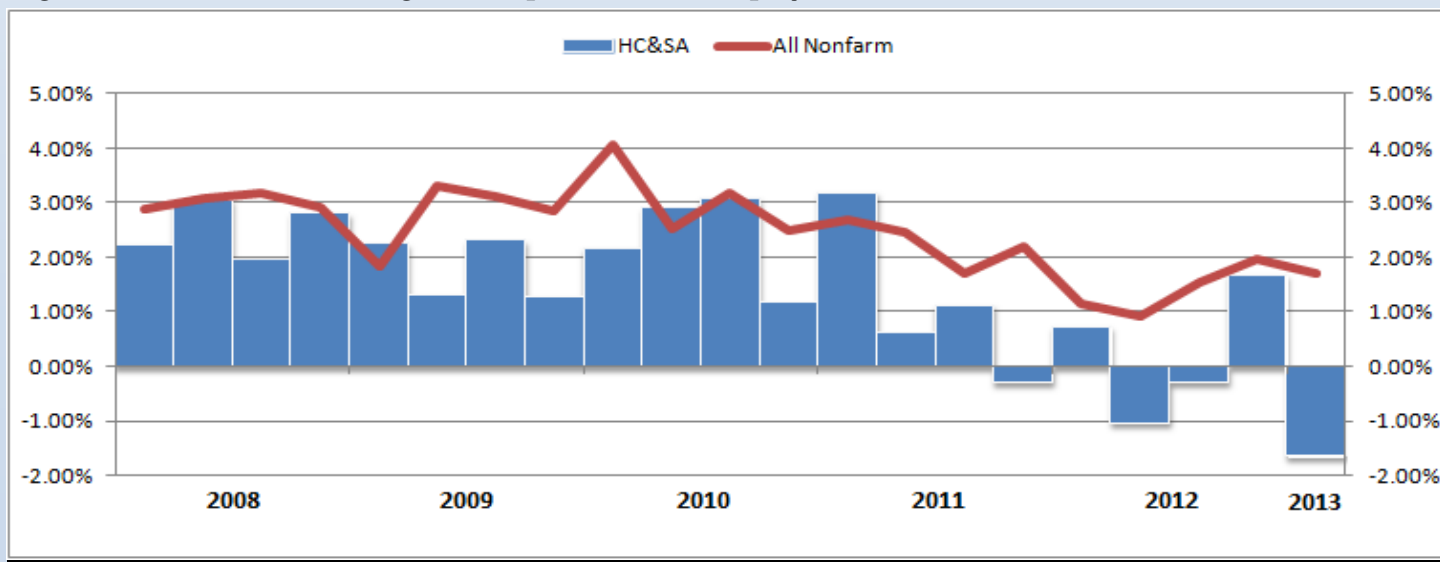
Table 2: Virginia's Largest Private Industries

Rank	Q1 2011		Q1 2012		Q1 2013	
	Industry	One-Year Growth Rate	Industry	One-Year Growth Rate	Industry	One-Year Growth Rate
1	Mining	27.58%	Forestry, Fishing, and Relative Activities	11.88%	Management of Companies and Enterprises	16.17%
2	Wholesale Trade	8.54%	Arts, Entertainment & Recreation	9.73%	Real Estate, Rental and Leasing	6.80%
-	Health Care & Social Assistance	5.61%	Health Care & Social Assistance	3.41%	Health Care & Social Assistance	1.80%

Compensation per Employee

According to Healthcare Workforce Data Center estimates (see methodology, next page), employees in Virginia's HC&SA sector earned an average of \$56,594 (annualized) in Q1 2013. Note 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. Despite the quarterly increase in HC&SA compensation per employee in Q1 2013, year-over-year growth in HC&SA compensation per employee fell by -1.65%, which represents its lowest level in more than a decade. Growth has declined considerably in recent years: between 2008 and 2010, year-over-year growth in compensation per employee averaged 2.22%, but this average has fallen to just 0.46% from 2011 to Q1 2013.

Figure 5: Year-Over-Year Change in Compensation Per Employee.



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 are 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) 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/.

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)

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.

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