



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 13

December 2014

Highlights

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- ◆ In addition to the new income and compensation estimates for Q3 2014 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for the first two quarters of 2014.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$237 million to \$26.09 billion in Q3 2014. This increase represents a three-month annualized growth rate of 3.7%.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$218 million to \$23.82 billion in Q3 2014. This increase also represents a three-month annualized growth rate of 3.7%.
- ◆ Compensation per employee in Virginia's HC&SA sector increased by \$374 to \$57,398 in Q3 2014. National HC&SA compensation per employee experienced a slightly larger increase of \$384 to \$57,195 during the quarter.

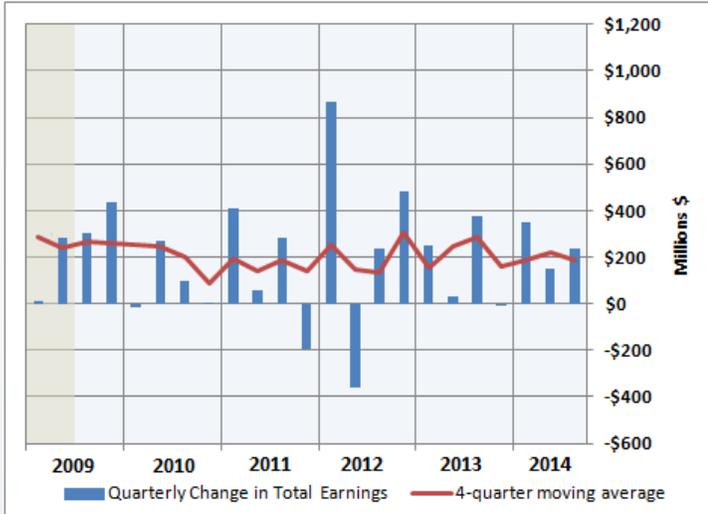
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

| | Income (Millions of Dollars) | | | | Growth Rate, Annualized | | |
|---|------------------------------|--------------|--------------|--------------|-------------------------|---------|-----------|
| | Q3 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Annual | 6-Month | Quarterly |
| Earnings (Personal income less rents, interest, dividends and government payments) | | | | | | | |
| Virginia | \$287,184 | \$290,202 | \$292,537 | \$294,502 | 2.5% | 3.0% | 2.7% |
| National | \$10,201,877 | \$10,428,570 | \$10,526,427 | \$10,612,236 | 4.0% | 3.6% | 3.3% |
| Health Care & Social Assistance Earnings | | | | | | | |
| Virginia | \$25,350 | \$25,698 | \$25,850 | \$26,087 | 2.9% | 3.1% | 3.7% |
| National | \$1,115,438 | \$1,138,014 | \$1,147,563 | \$1,159,815 | 4.0% | 3.9% | 4.3% |
| Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits) | | | | | | | |
| Virginia | \$23,169 | \$23,478 | \$23,606 | \$23,824 | 2.8% | 3.0% | 3.7% |
| National | \$995,782 | \$1,016,213 | \$1,024,418 | \$1,035,657 | 4.0% | 3.9% | 4.5% |
| Health Care & Social Assistance Compensation per Employee (HWDC Estimate) | | | | | | | |
| Virginia | \$56,528 | \$56,912 | \$57,024 | \$57,398 | 1.5% | 1.7% | 2.7% |
| National | \$56,081 | \$56,810 | \$56,811 | \$57,195 | 2.0% | 1.4% | 2.7% |

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.



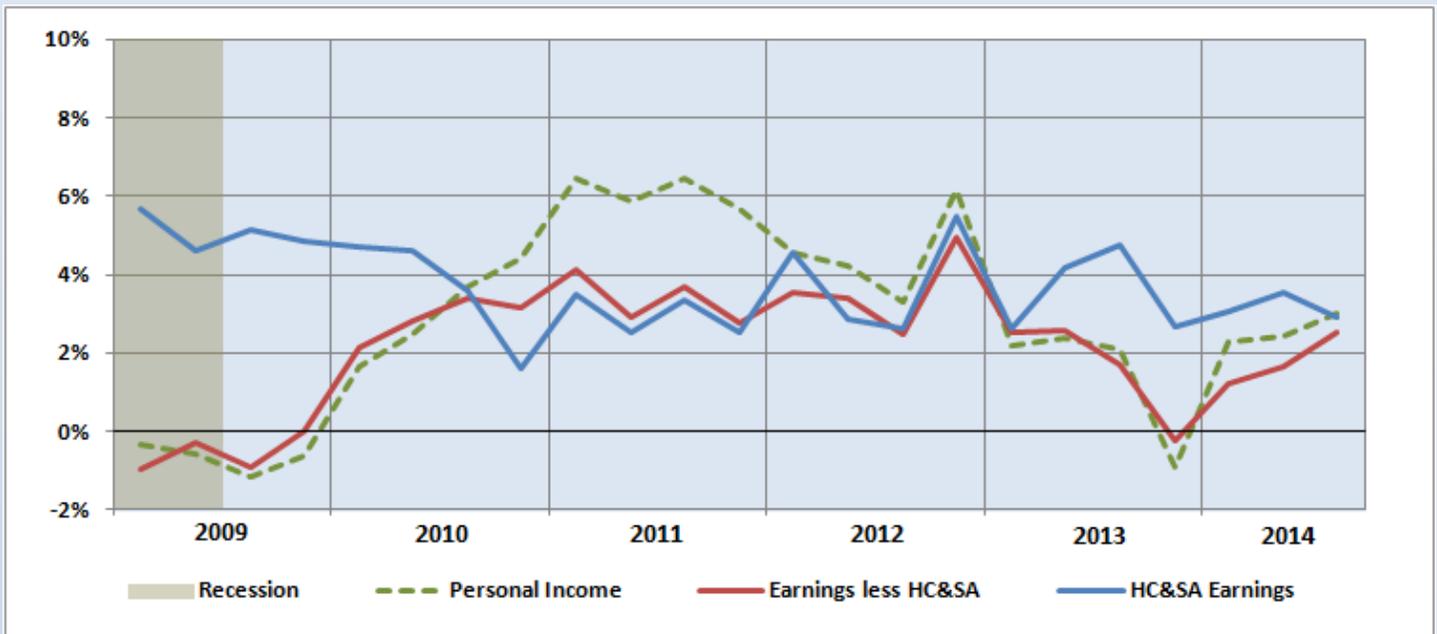
According to data released on Friday, December 19, 2014 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$237 million during Q3 2014. In addition, Virginia’s total HC&SA earnings was revised downward by \$177 million in Q2 2014, while the Q1 2014 estimate was revised upward by \$4 million. After these revisions, total HC&SA earnings in Virginia increased by \$504 million through the first half of 2014.

Total HC&SA earnings in Virginia have experienced strong growth so far in 2014 with an increase of \$741 million, which already exceeds the full-year gain of \$652 million in 2013. Despite this growth, however, the four-quarter moving average of the level change in total HC&SA earnings fell during Q3 2014 to \$184.25 million, which represents its lowest value so far this year.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the HC&SA earnings growth rate declined from 3.55% in Q2 2014 to 2.93% in Q3 2014. With this decline, the four-quarter moving average of the HC&SA earnings growth rate fell below the corresponding rate for personal income for the first time in nearly two years. After dipping into negative territory for the first time in nearly four years during Q4 2014, the four-quarter moving average of the growth rate in personal income has increased for three consecutive quarters to reach 2.99% during Q3 2014. The four-quarter moving average of the growth rate in non-HC&SA earnings has exhibited a similar trend, rising for three consecutive quarters after falling to a four-year low of -0.24% in Q4 2013. Thanks to this growth, the four-quarter moving average of the growth rate in non-HC&SA earnings reached a one-year high of 2.52% in Q3 2014.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

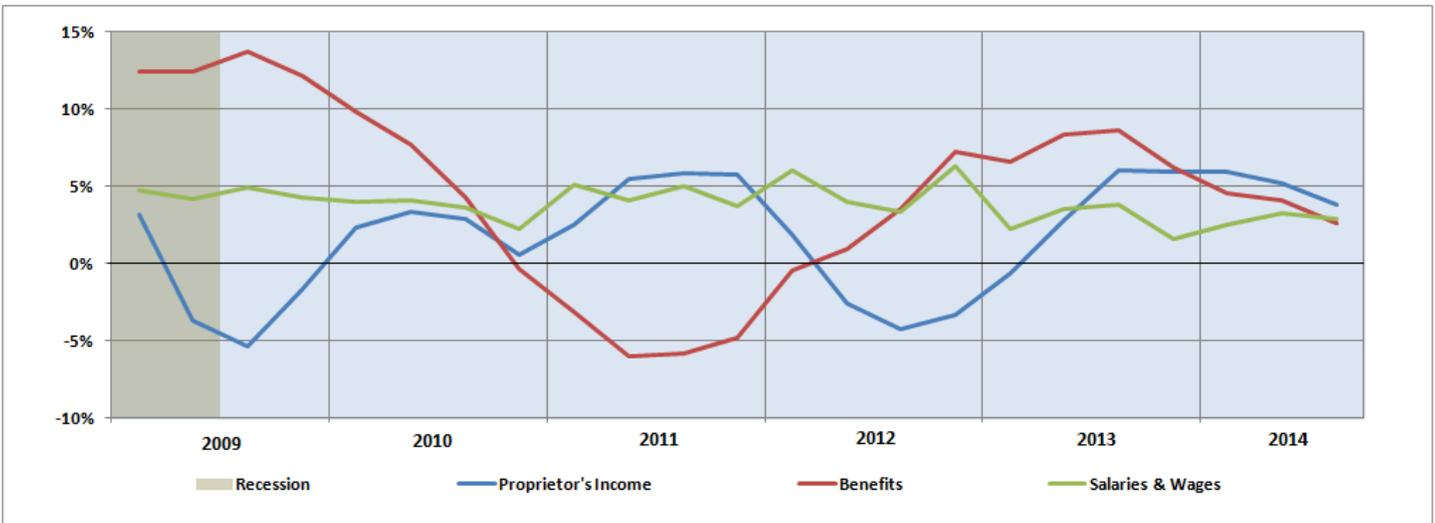


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

All three types of HC&SA earnings experienced a decline in growth during Q3 2014. Employee benefits experienced the most precipitous fall during the quarter: the four-quarter moving average of its growth rate fell from 4.13% in Q2 2014 to 2.62% in Q3 2014, which represents its lowest value since Q2 2012. In addition, this represents the first time in two-and-a-half years that employee benefits have been the slowest-growing earnings type in Virginia’s HC&SA sector. Employee salaries & wages held up relatively well during the quarter, but even the four-quarter moving average of its growth rate fell from 3.26% in Q2 2014 to 2.90% in Q3 2014. Although proprietor's income remained the strongest HC&SA earnings type in Q3 2014, its four-quarter moving average fell for the fourth-consecutive quarter to 3.77%.

Annual Growth by Earnings Type

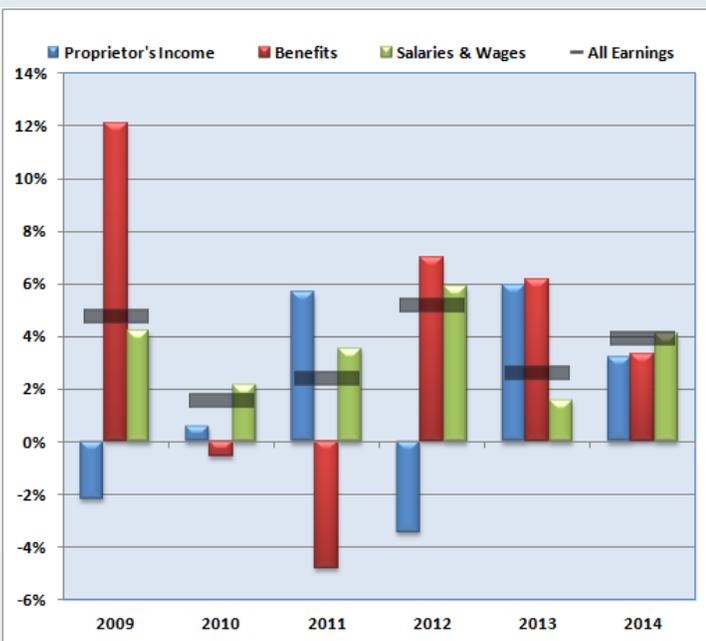


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

So far in 2014, total HC&SA earnings in Virginia have grown at a 3.9% annualized rate, which compares favorably to the 2.6% growth rate in total HC&SA earnings in 2013. This growth continues to be driven mainly by employee salaries & wages. Through the first nine months of 2014, employee salaries & wages have grown at a 4.1% annualized rate, which is more than double the comparable rate from one year ago.

While employee salaries & wages has experienced a significant uptick in growth this year, the other two forms of HC&SA earnings have seen their growth rates slow considerably in 2014. This slowdown in growth has been most apparent in employee benefits. Last year, employee benefits grew by 6.2%, but this annualized growth rate has fallen by nearly half in 2014 to just 3.3%. Likewise, proprietor’s income has seen its annualized growth rate drop from 5.9% in 2013 to just 3.2% so far this year.

| Earnings | Level | Share |
|---------------------|-----------------|-------------|
| Proprietor's Income | \$2,263 | 8.7% |
| Benefits | \$4,047 | 15.5% |
| Salaries & | \$19,777 | 75.8% |
| Total | \$26,087 | 100% |

HC&SA 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 \$57,398 (annualized) in Q3 2014. 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.

Virginia’s HC&SA compensation per employee increased by \$374.09 in Q3 2014. Although this gain was slightly below the national average, it still represents a 2.7% annualized growth rate. In addition, this represents the third consecutive quarter in which the state’s HC&SA compensation per employee has grown. During this time, HC&SA compensation per employee increased by \$1,256.30. Despite this growth, however, the four-quarter moving average of the level change in Virginia’s HC&SA compensation per employee actually decreased by \$57.82 to \$217.47 in Q3 2014.

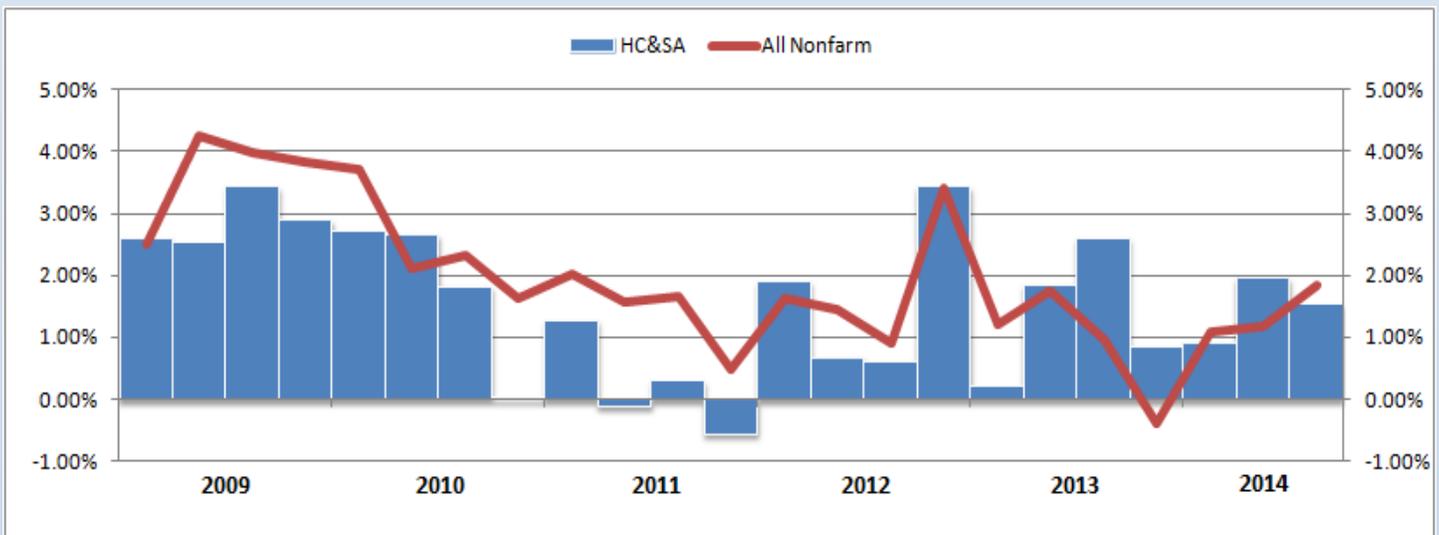
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

The year-over-year change in compensation per employee of Virginia’s HC&SA sector fell from 1.97% in Q2 2014 to 1.54% in Q3 2014. With this decline, the growth rate in compensation per employee of Virginia’s HC&SA sector dipped below the corresponding growth rate for Virginia’s total nonfarm payroll. The year-over-year change in compensation per employee of Virginia’s total nonfarm payroll increased for the third consecutive quarter to 1.84% in Q3 2014. This represents the highest year-over-year growth rate for Virginia’s total nonfarm payroll since Q4 2012. During that quarter, the year-over-year change in compensation per employee of Virginia’s total nonfarm payroll reached 3.42%, which itself was a nearly three-year high.

Figure 6: 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 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) 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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