



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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Highlights

- ◆ In addition to the new income and compensation estimates for Q4 2013, these results include revised estimates from the Bureau of Economic Analysis (BEA) for Q1-Q3 2013.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$276 million to \$25.93 billion in Q4 2013. In 2013, total HC&SA earnings in Virginia increased by \$1.27 billion.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$255 million to \$23.63 billion in Q4 2013. In 2013, total HC&SA compensation in Virginia rose by \$1.20 billion.
- ◆ Compensation per employee in Virginia's HC&SA sector increased by \$310 to \$57,328 in Q4 2013. Over the past year, compensation per employee in Virginia's HC&SA sector has increased by \$2,105.

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 2012	Q2 2013	Q3 2013	Q4 2013	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$287,733	\$288,463	\$288,347	\$290,888	1.1%	1.7%	3.6%
National	\$10,016,935	\$10,121,844	\$10,196,260	\$10,272,148	2.5%	3.0%	3.0%
Health Care & Social Assistance Earnings							
Virginia	\$24,664	\$24,942	\$25,655	\$25,931	5.1%	8.1%	4.4%
National	\$1,088,641	\$1,110,642	\$1,121,197	\$1,132,263	4.0%	3.9%	4.0%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$22,430	\$22,691	\$23,370	\$23,625	5.3%	8.4%	4.4%
National	\$966,545	\$987,651	\$996,309	\$1,006,240	4.1%	3.8%	4.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$55,224	\$55,565	\$57,019	\$57,328	3.8%	6.4%	2.2%
National	\$54,962	\$55,714	\$56,111	\$56,148	2.2%	1.6%	0.3%

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.



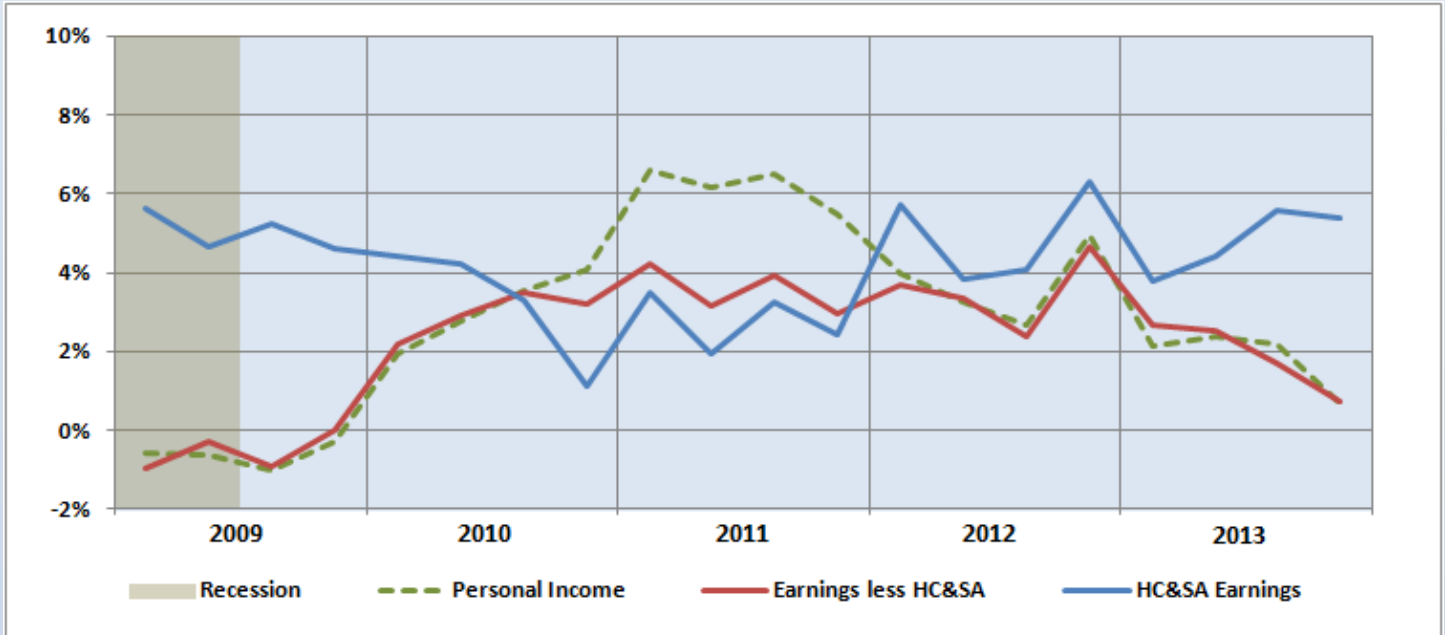
According to data released on March 25, 2014 by the U.S. Bureau of Economic Analysis, earnings in Virginia's HC&SA sector increased by \$276 million in Q4 2013 to \$25.93 billion. In addition, the preliminary estimate of Virginia's HC&SA earnings for Q3 2013 was revised upward by \$576 million to \$25.66 billion. For the full year of 2013, Virginia's HC&SA earnings rose by \$1.27 billion. Although this represents a modest 6% decline relative to the \$1.35 billion increase in HC&SA earnings in 2012, the full-year results for 2013 were still better than for any year between 2009 and 2011.

Despite this quarter's increase, the four-quarter moving average of the change in Virginia's HC&SA earnings dropped slightly to \$317 million in Q4 2013. Regardless, the four-quarter moving average has recently been trending upward, increasing 46% from when the moving average fell to \$217 million in Q1 2013.

Virginia HC&SA Earnings Growth Rate

In Q4 2013, the four-quarter moving averages of the growth rate in HC&SA earnings, non-HC&SA earnings and personal income all fell relative to the previous quarter. The decline was most pronounced with the four-quarter moving average of the growth rate in personal income, which dropped from 2.2% in Q3 2013 to just 0.7% this quarter. The decline in the four-quarter moving average of non-HC&SA earnings was nearly as steep, falling from 1.7% in Q3 2013 to 0.7% in Q4 2013. At these current levels, the four-quarter moving averages of both non-HC&SA earnings and personal income represent five-year lows. Relative to these declines, the four-quarter moving average of the HC&SA earnings growth rate held up surprisingly well this quarter. In addition, the four-quarter moving average of the HC&SA earnings growth rate has now exceeded the corresponding moving averages for both non-HC&SA earnings and personal income for eight consecutive quarters.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

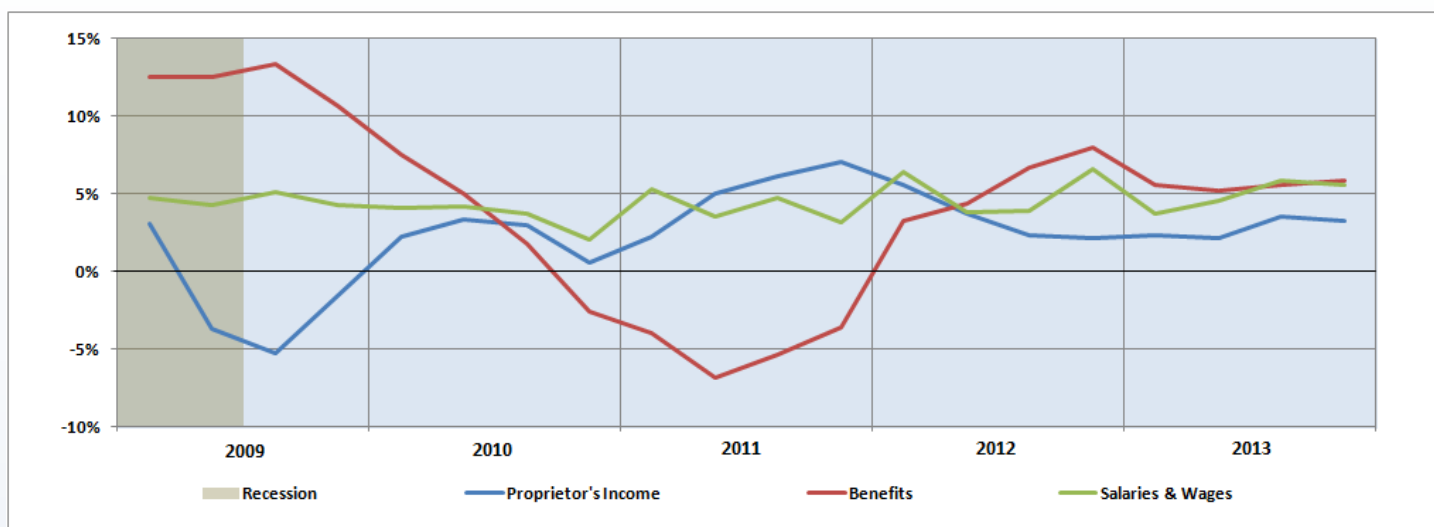


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Q4 2013 saw little change in the four-quarter moving averages of the earnings growth rate in proprietor's income, benefits or salaries & wages. The four-quarter moving average of the earnings growth rate in employee benefits saw a slight jump from 5.6% in Q3 2013 to 5.9% in this quarter. However, the other two earnings types experienced modest declines. The four-quarter moving average of the earnings growth rate in proprietor's income fell from 3.6% to 3.2% during the quarter, while the four-quarter moving average of the earnings growth rate in salaries & wages fell from 5.8% to 5.6%. Regardless, thanks to the relative stability in the moving averages this year, the four-quarter moving averages of the earnings growth rate in employee salaries, wages and benefits continue to eclipse the corresponding moving average in proprietor's income.

Annual Growth by Earnings Type

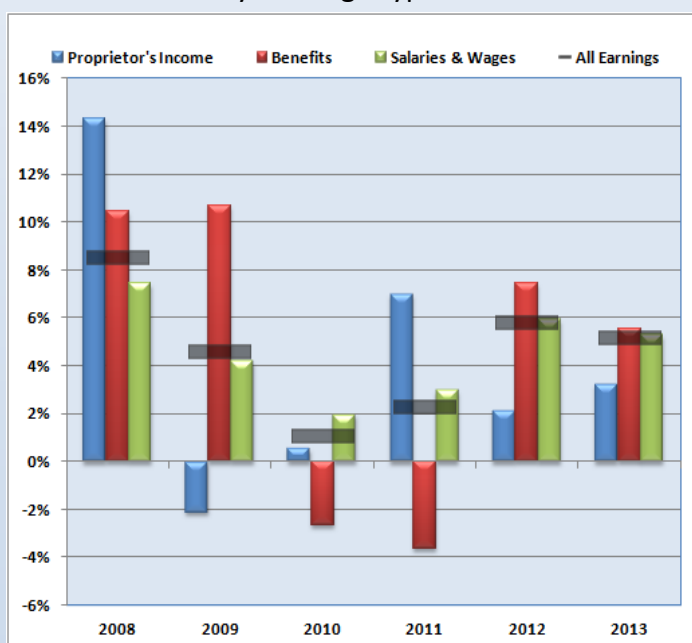


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In 2013, total HC&SA earnings in Virginia increased by 5.1%. Although this is lower than the 5.8% growth rate in HC&SA earnings in 2012, it still represents a strong year for total compensation growth in Virginia's health care sector.

Just like in 2012, HC&SA earnings growth was driven mainly by employee salaries, wage and benefits. Employee benefits grew by 5.5% in 2013, while salaries & wages grew by 5.3%. Both of these growth rates declined relative to the values observed in 2012, but they are still above the overall average for the HC&SA sector.

For the second year in a row, the growth rate in proprietor's income lagged behind employee compensation growth. In 2013, proprietor's income grew by 3.2%. Although this value is below the overall average for HC&SA earnings growth, it does represent an increase of more than 50% compared to the rate seen in 2012.

Earnings Type	Level (Millions)	Share
Proprietor's Income	2,306	8.9%
Benefits	3,862	14.9%
Salaries &	19,763	76.2%
Total	25,931	100%

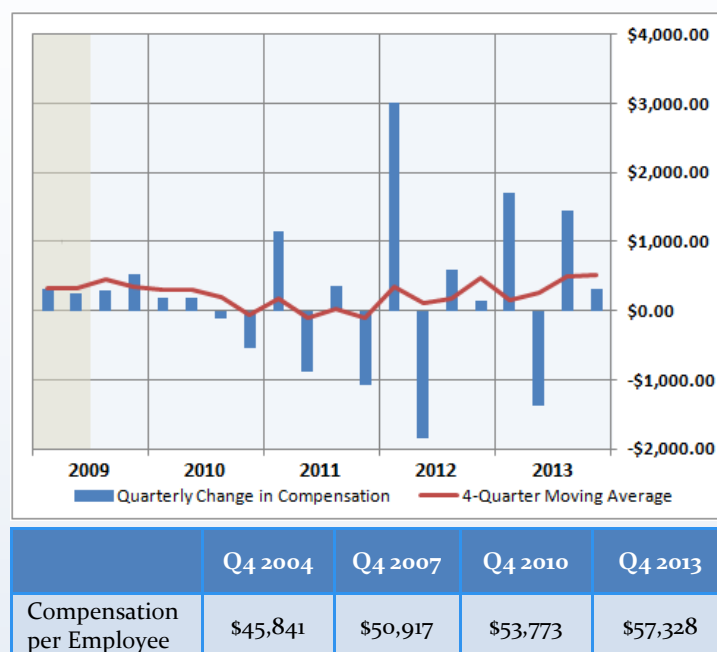
HC&SA Compensation per Employee

According to Healthcare Workforce Data Center estimates (see methodology, next page), employees in Virginia's HC&SA sector earned an average of \$57,328 (annualized) in Q4 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.

During the quarter, HC&SA compensation per employee increased by \$310. For all of 2013, HC&SA compensation per employee increased by \$2,105. This represents the largest one-year increase in HC&SA compensation per employee since 2005.

For the third consecutive quarter, the four-quarter moving average in the level change of HC&SA compensation per employee has increased. Over the past year, this four-quarter moving average has grown by 12% to \$526, reaching its highest level in eight years.

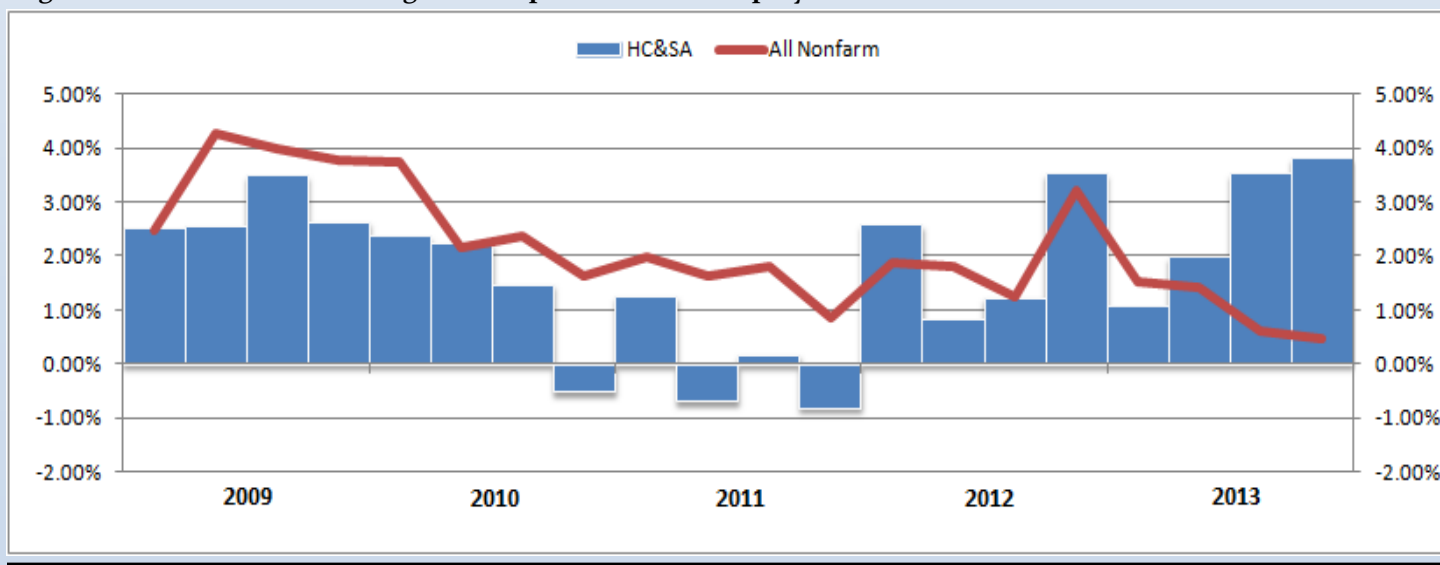
Figure 5: Quarterly Change in Employee Compensation from Virginia's Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

In Q4 2012, there was little difference in the year-over-year change in compensation per employee between the HC&SA sector and Virginia's overall economy, but, over the past 12 months, these values have diverged considerably. During this quarter, the year-over-year change in HC&SA compensation per employee increased from 3.5% to 3.8%, while the corresponding number for Virginia's total nonfarm payroll decreased from 0.6% to 0.5%. The year-over-year change in the growth rate for Virginia's total nonfarm payroll compensation per employee has now declined for four consecutive quarters and has reached its lowest level in more than a decade. Meanwhile, the year-over-year change in HC&SA compensation per employee has now increased for three straight quarters and has reached its highest level in more than seven years.

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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