



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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

Highlights

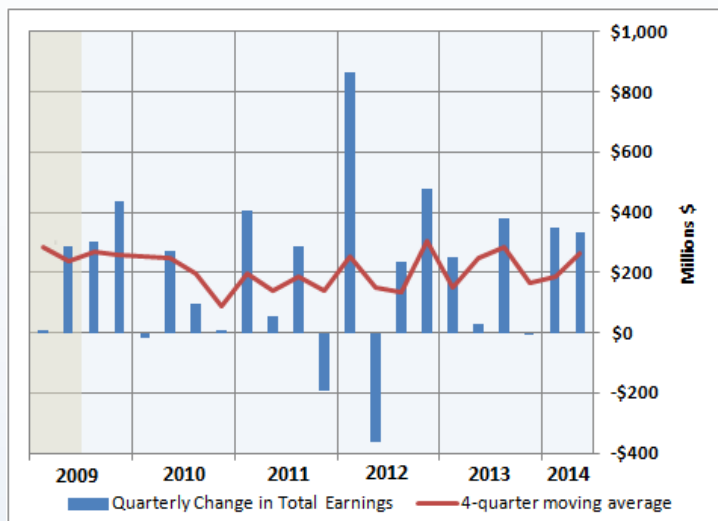
- ◆ In addition to the new income and compensation estimates for Q2 2014 from the Bureau of Economic Analysis (BEA), these results also include revised estimates from as far back as 1998 for annual data and 2001 for quarterly data.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$333 million to \$26.03 billion in Q2 2014. This increase represents a three-month annualized growth rate of 5.3%.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$308 million to \$23.78 billion in Q2 2014. This increase represents a three-month annualized growth rate of 5.4%.
- ◆ Compensation per employee in Virginia's HC&SA sector increased by \$547 to \$57,449 in Q2 2014. Nationwide, HC&SA compensation per employee increased by \$434 to \$57,244 during the quarter.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2013	Q4 2013	Q1 2014	Q2 2014	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$287,433	\$287,630	\$290,331	\$293,691	2.2%	4.3%	4.7%
National	\$10,141,123	\$10,271,046	\$10,427,287	\$10,576,310	4.3%	6.0%	5.8%
Health Care & Social Assistance Earnings							
Virginia	\$24,971	\$25,346	\$25,694	\$26,027	4.2%	5.4%	5.3%
National	\$1,105,101	\$1,120,695	\$1,138,014	\$1,155,424	4.6%	6.3%	6.3%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$22,873	\$23,136	\$23,474	\$23,782	4.1%	5.7%	5.4%
National	\$988,013	\$999,439	\$1,106,213	\$1,032,221	4.5%	6.7%	6.5%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$55,923	\$56,142	\$56,902	\$57,449	2.7%	4.7%	3.9%
National	\$55,735	\$55,768	\$56,810	\$57,244	2.7%	5.4%	3.1%

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.



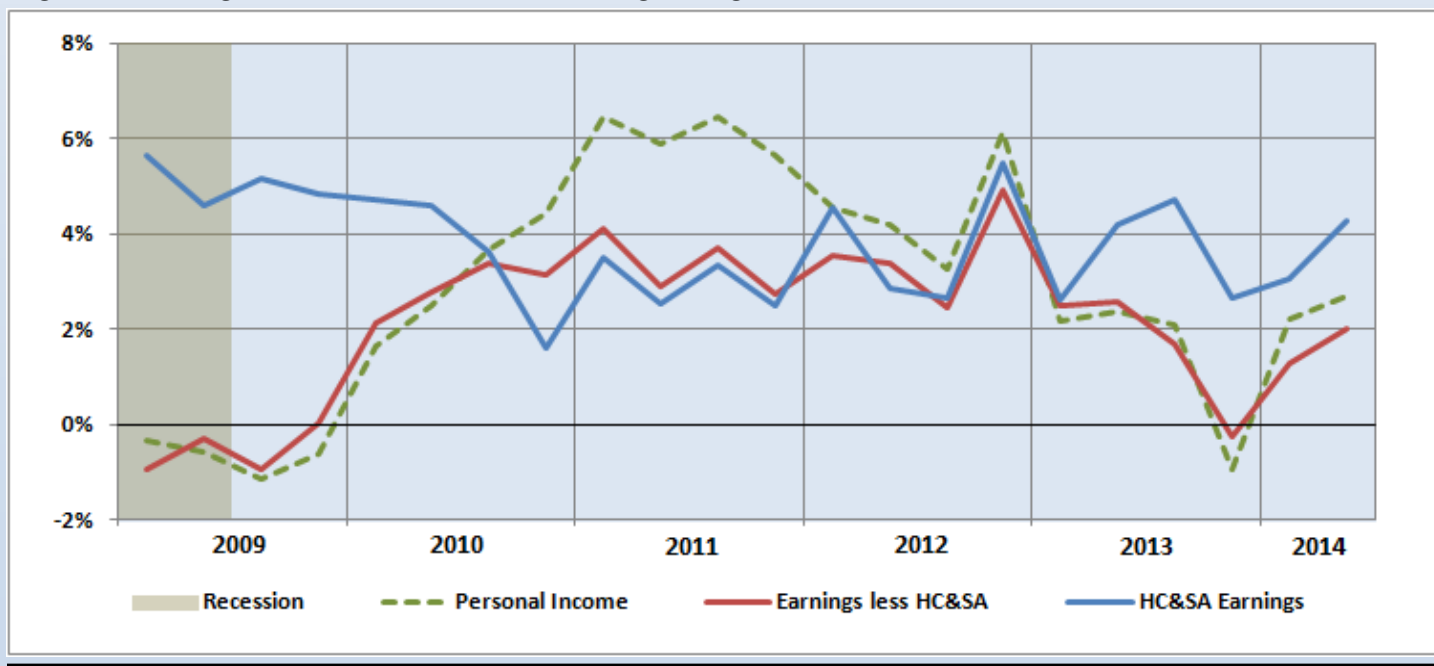
According to data released on September 30, 2014 by the U.S. Bureau of Economic Analysis, earnings in Virginia's HC&SA sector increased by \$333 million during Q2 2014 to \$26.03 billion. In addition, the preliminary estimate for the state's HC&SA earnings during Q1 2014 was revised upward by \$98 million to \$25.69 billion. After this revision, Virginia's total HC&SA earnings increased by \$348 million in Q1 2014.

For the third time in the past four quarters, Virginia's HC&SA earnings increased by more than \$300 million. Thanks to this strength over the past year, the four-quarter moving average of the level change in Virginia's HC&SA earnings increased from \$188 million in Q1 2014 to \$264 million in Q2 2014. The four-quarter moving average of the level change in Virginia's HC&SA earnings has now increased for two consecutive quarters and has reached its highest value since Q3 2013.

Virginia HC&SA Earnings Growth Rate

Over the past two quarters, the four-quarter moving average of the HC&SA earnings growth rate has increased from 2.7% to 4.3%. This represents the highest value for the four-quarter moving average of the HC&SA earnings growth rate since reaching 4.7% during Q3 2013. The four-quarter moving averages of the growth rate in both personal income and non-HC&SA earnings have also rebounded strongly over the past six months. During Q4 2013, both of these moving averages dipped into negative territory for the first time since 2009. By Q2 2014, however, the four-quarter moving average of the growth rate in personal income reached a six-quarter high of 2.7%. At the same time, the four-quarter moving average of the growth rate in non-HC&SA earnings increased to 2.0%, which represents a high not seen since Q2 2013. During that quarter, the four-quarter moving average of the growth rate in non-HC&SA earnings reached 2.6%.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

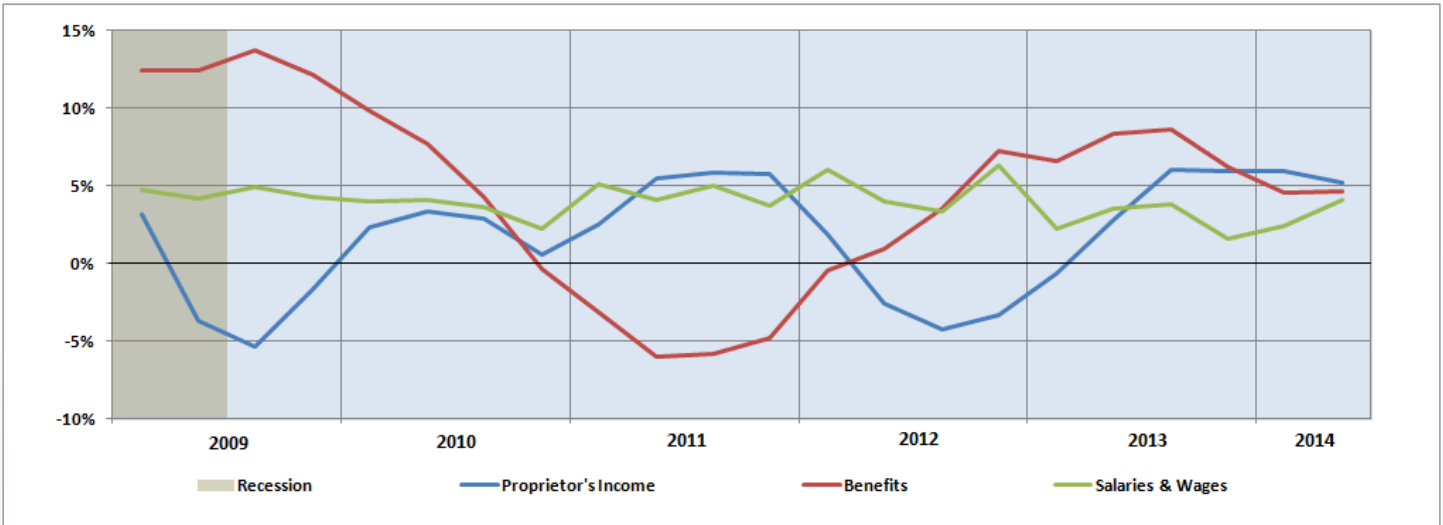


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Although employee salaries & benefits are still growing at a slower rate than other forms of earnings, it has reduced the gap considerably over the past two quarters. The four-quarter moving average of the earnings growth rate in employee salaries & benefits has more than doubled from 1.6% in Q4 2013 to 4.1% in Q2 2014. At the same time, however, the four-quarter moving average of the growth rate in employee benefits has slowed considerably. After reaching a two-and-a-half year high of 8.7% during Q3 2013, the four-quarter moving average of the growth rate in employee benefits has fallen by nearly half to 4.6%. Meanwhile, the four-quarter moving average of the growth rate in proprietor's income has remained rather steady over the past several quarters, although it did decline from 6.0% in Q1 2014 to 5.2% this quarter.

Annual Growth by Earnings Type

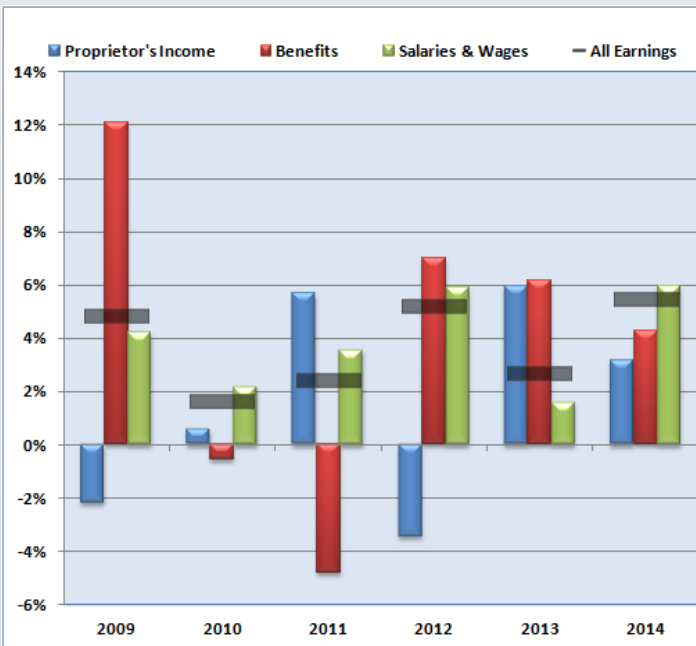


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

During the first half of 2014, total HC&SA earnings in Virginia grew at a 5.4% annualized rate, which is more than double the 2.6% growth rate of 2013. In fact, if this present rate continues through the second half of the year, Virginia's HC&SA sector will enjoy its highest annual earnings growth rate since 2008. In that year, total HC&SA earnings in the state grew at a rapid 8.4% annualized rate.

Earnings growth in Virginia's HC&SA sector has been driven mainly by employee salaries & benefits, which is currently growing at a 5.9% annualized rate. This represents a significant reversal relative to 2013, when employee salaries & wages grew at a relatively anemic 1.6% rate. Meanwhile, the other two forms of HC&SA earnings are currently growing at below-average rates. Employee benefits are growing at a 4.3% annualized rate, while proprietor's income currently sports the slowest annualized growth rate at 3.2%

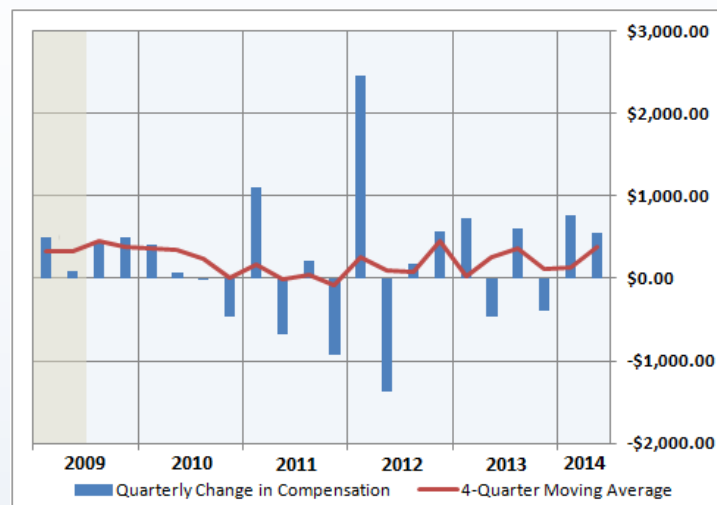
Earnings	Level	Share
Proprietor's Income	\$2,245	8.6%
Benefits	\$4,033	15.5%
Salaries &	\$19,749	75.9%
Total	\$26,027	100%

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 \$57,449 (annualized) in Q2 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.

During the quarter, compensation per employee in Virginia's HC&SA sector increased by \$547.00. When added to the gains from the first quarter, employees in Virginia's HC&SA sector have seen their compensation increase by more than \$1,300 through the first half of 2014. Given these gains, the four-quarter moving average of the level change in HC&SA compensation per employee increased during the quarter to \$381.57. This represents the highest value for the four-quarter moving average of the level change in HC&SA compensation per employee since Q4 2012.

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

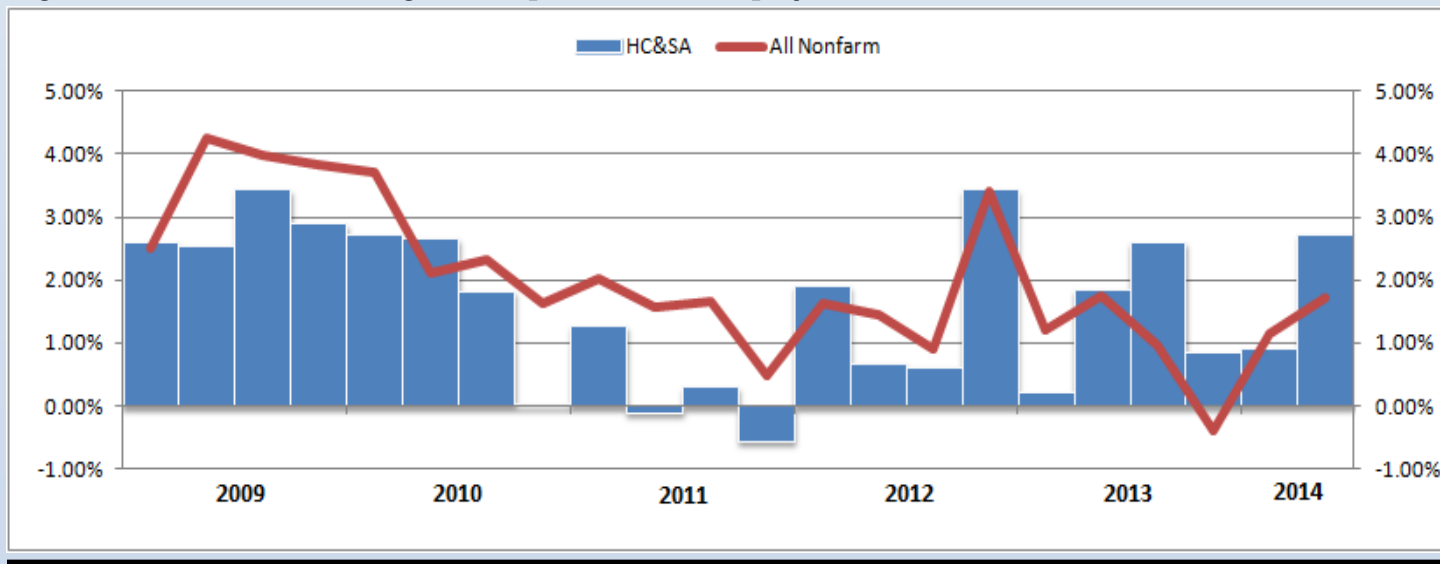


	Q2 2002	Q2 2006	Q2 2010	Q2 2014
Compensation per Employee	\$40,998	\$49,198	\$54,583	\$57,449

Compensation per Employee Growth Rate

After dropping into negative territory in Q4 2013, the year-over-year change in compensation per employee of Virginia's total nonfarm payroll has experienced a resurgence through the first half of 2014. During Q2 2014, the year-over-year change in compensation per employee of Virginia's total nonfarm payroll reached 1.7%, its highest value in one year. Despite this strong increase, however, compensation per employee is currently growing at a faster rate in Virginia's HC&SA sector. The year-over-year change in HC&SA compensation per employee increased from 0.9% in Q1 2014 to 2.7% in Q2 2014. Not only does this value represent the highest growth rate for HC&SA compensation per employee in two years, but it also represents its second-highest quarterly growth rate since 2009.

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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