



# Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

## **Series 3: Income & Compensation**

Series 3, Issue 14

March 2015

### Highlights

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- ◆ In addition to the new income and compensation estimates for Q4 2014 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for the first three quarters of 2014.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$301 million to \$26.37 billion in Q4 2014. Over the past 12 months, Virginia's HC&SA earnings have grown by 4.0%.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$283 million to \$24.08 billion in Q4 2014. Virginia's HC&SA employee compensation has grown by 4.1% during the past year.
- ◆ During the fourth quarter, Virginia's HC&SA compensation per employee increased by \$349, which was well above the overall national average gain of \$90. In the past year, the average employee in Virginia's HC&SA sector has seen their compensation increase by 3.0%

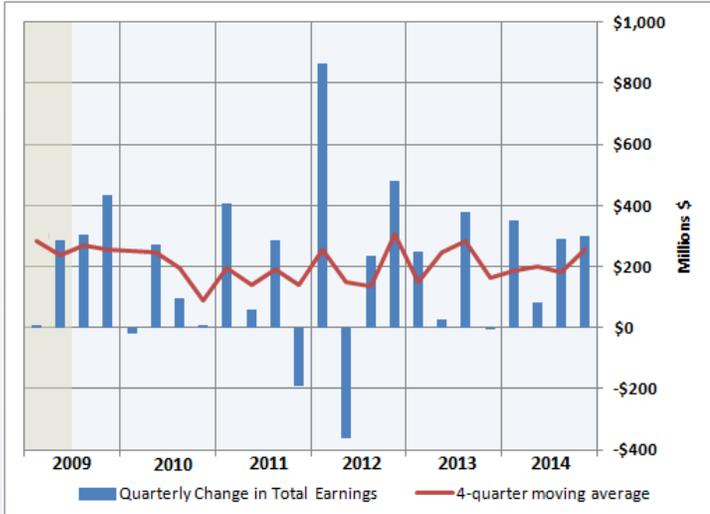
*The calendar year is the basis for data in this series. See Page 5 for additional information on this series.*

### Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q4 2013	Q2 2014	Q3 2014	Q4 2014	Annual	6-Month	Quarterly
<b>Earnings (Personal income less rents, interest, dividends and government payments)</b>							
<b>Virginia</b>	\$287,630	\$292,346	\$293,408	\$296,519	3.1%	2.9%	4.3%
<b>National</b>	\$10,271,046	\$10,519,270	\$10,628,113	\$10,754,245	4.7%	4.5%	4.8%
<b>Health Care &amp; Social Assistance Earnings</b>							
<b>Virginia</b>	\$25,346	\$25,780	\$26,069	\$26,370	4.0%	4.6%	4.7%
<b>National</b>	\$1,120,695	\$1,147,561	\$1,160,033	\$1,174,556	4.8%	4.8%	5.1%
<b>Health Care &amp; Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages &amp; benefits)</b>							
<b>Virginia</b>	\$23,136	\$23,536	\$23,793	\$24,076	4.1%	4.6%	4.8%
<b>National</b>	\$999,439	\$1,024,416	\$1,035,163	\$1,048,713	4.9%	4.8%	5.3%
<b>Health Care &amp; Social Assistance Compensation per Employee (HWDC Estimate)</b>							
<b>Virginia</b>	\$56,827	\$57,653	\$58,188	\$58,536	3.0%	3.1%	2.4%
<b>National</b>	\$55,833	\$56,907	\$57,253	\$57,343	2.7%	1.5%	0.6%

## 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.**



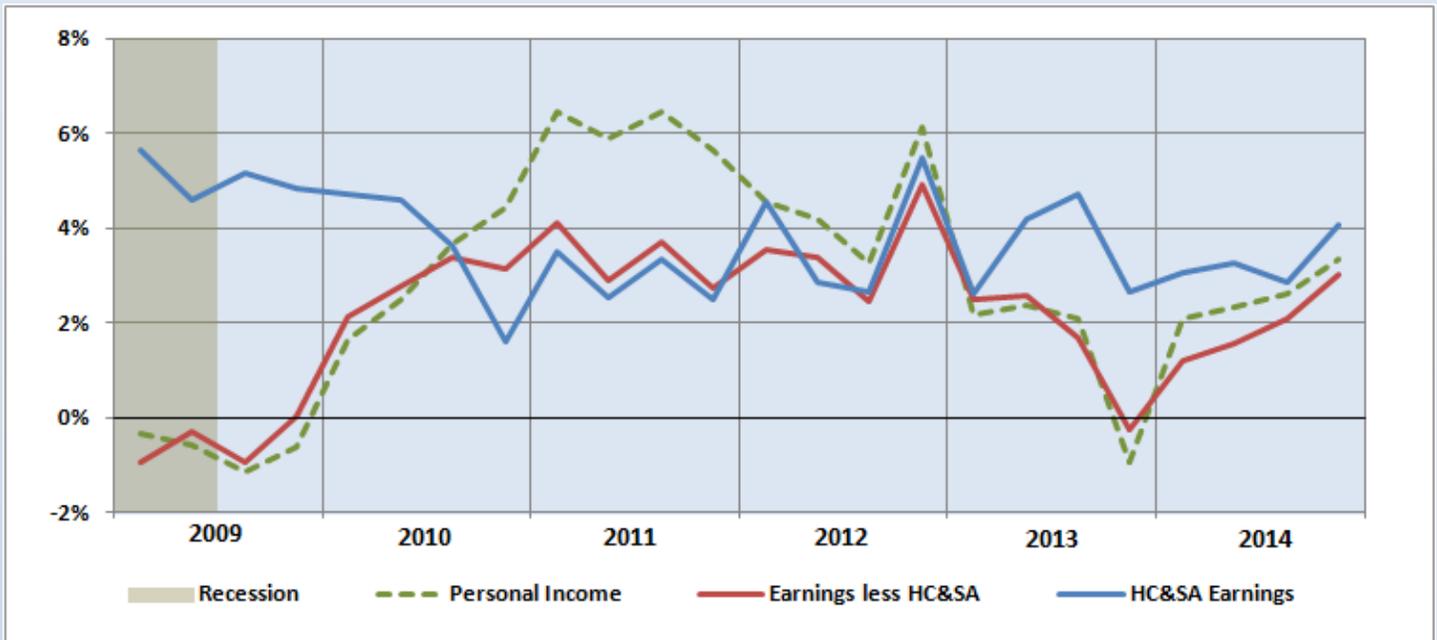
According to data released on Wednesday, March 25, 2014 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector rose by \$301 million in Q4 2014, which represents a three-month annualized growth rate of 4.7%. Virginia’s HC&SA sector has enjoyed strong growth in total earnings throughout 2014. Not only has total earnings in the sector grown by more than \$1 billion in 2014, but also the four-quarter moving average of the level change in the state’s total HC&SA earnings reached \$256 million, which represents its highest level since Q3 2013.

Despite this impressive growth, however, Virginia’s HC&SA sector is actually underperforming relative to the national average. While Virginia’s HC&SA sector has seen total earnings growth of 4.0% over the past year, this is below the 4.8% average for the national HC&SA sector.

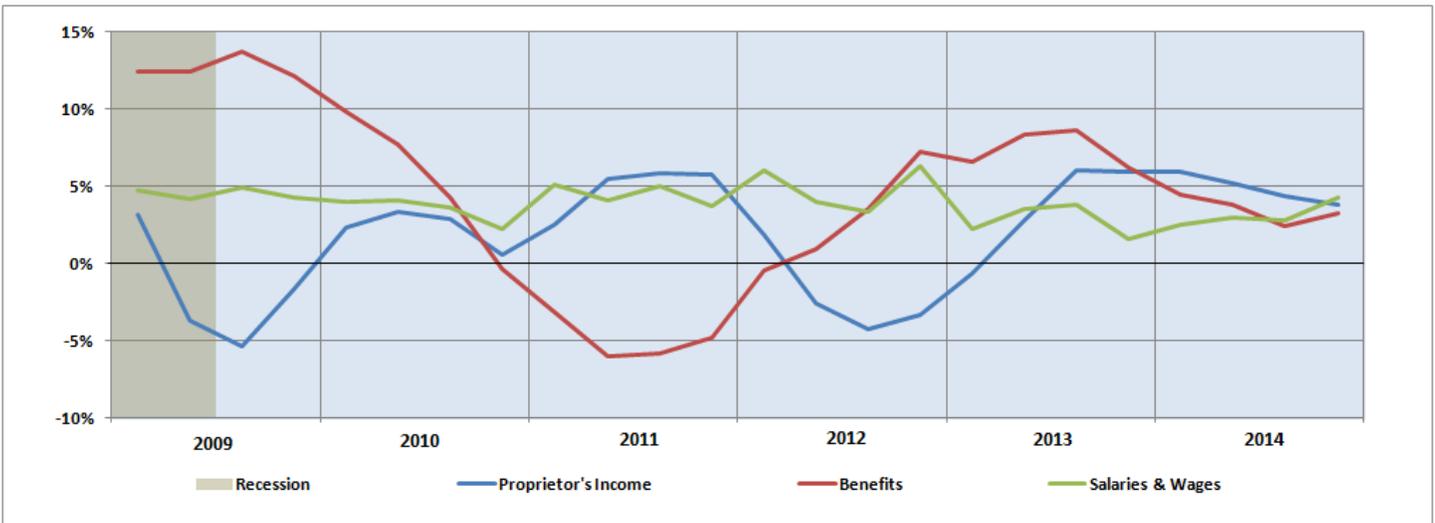
### Virginia HC&SA Earnings Growth Rate

During the fourth quarter of 2014, the four-quarter moving average of the growth rate in HC&SA earnings broke the 4% barrier for the first time in more than a year. At the same time, both non-HC&SA earnings and personal income saw their long-term average growth rates increase significantly during the quarter. The four-quarter moving average of the earnings growth rate in Virginia’s non-HC&SA sectors increased for the fourth consecutive quarter to 3.00% in Q4 2014. Although the four-quarter moving average of the growth rate in non-HC&SA earnings has not exceeded the corresponding rate for Virginia’s HC&SA sectors since Q2 2012, it still reached its highest value in two years during the quarter. Meanwhile, the four-quarter moving average of the growth rate in persona income also increased for the fourth consecutive quarter to 3.36% during Q4 2014.

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



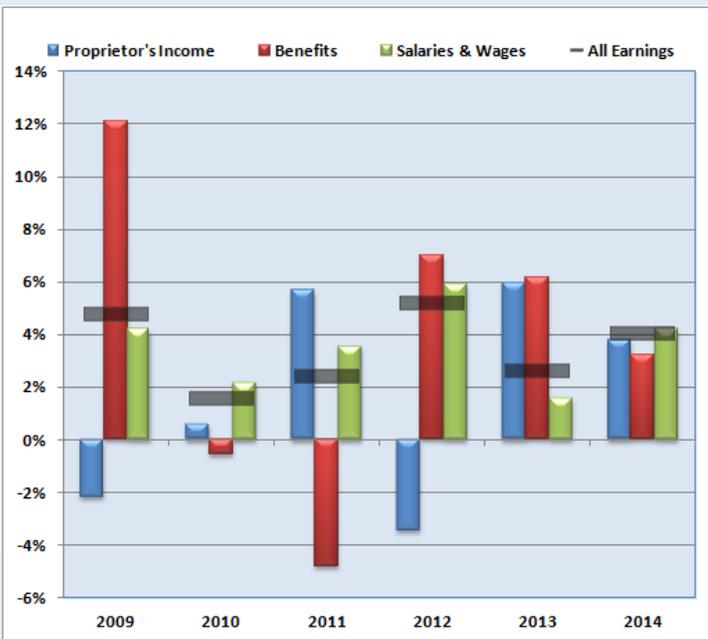
### Virginia HC&SA Earnings Growth Rate by Earnings Type



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

For the fifth consecutive quarter, the four-quarter moving average of the growth rate in proprietor’s income declined. Thanks to this decline, employee’s salaries & wages have overtaken proprietor’s income as the fastest growing source of Virginia’s HC&SA earnings. Regardless, despite this recent slide, proprietor’s income is still growing at a healthy pace as its current four-quarter growth rate moving average is 3.81%. Employee’s salaries & wages experienced a dramatic jump in its four-quarter growth rate moving average from 2.80% in Q3 2014 to 4.26% in Q4 2014, which represents its highest value in two years. The other half of employee compensation, benefits, also saw its four-quarter moving average increase in Q4 2014, but it still lags behind the other two types on HC&SA earnings at its current value of 3.23%.

### Annual Growth by Earnings Type



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

During 2014, Virginia’s total HC&SA earnings grew at a 4.0% annual rate. Only employee’s salaries & wages managed to exceed this value during the year as its growth rate more than doubled from 1.6% in 2013 to 4.2% in 2014. This represents the first time since 2010 that the full-year growth rate in HC&SA employee salaries & wages has exceeded the corresponding growth rates in employee benefits and proprietor’s income. These other two types of HC&SA earnings did not fare quite as well in 2014.

In both 2012 and 2013, employee benefits was the fastest growing HC&SA earnings type, but this was no longer the case in 2014. In fact, since 2012, the full-year growth rate of HC&SA employee benefits has fallen by more than half from 7.0% to 3.2%. Meanwhile, proprietor’s income in the HC&SA sector also saw its growth rate drop considerably from 5.9% in 2013 to 3.8% in 2014.

Earnings Type	Level (Millions)	Share
Proprietor's In-	\$2,294	8.7%
Benefits	\$4,076	15.5%
Salaries &	\$20,000	75.8%
<b>Total</b>	<b>\$26,370</b>	<b>100%</b>

### 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 \$58,536 (annualized) in Q4 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 \$348.53 during Q4 2014. For all of 2014, HC&SA compensation per employee increased by \$1,709.76, which represents a marked increase relative to the \$410.02 gain in 2013. In addition, the four-quarter moving average of the level change in HC&SA compensation per employee more than doubled during the quarter from \$212.07 to \$427.44. With this dramatic increase during the fourth quarter, the four-quarter moving average of the level change in HC&SA compensation per employee has reached its highest value in two years.

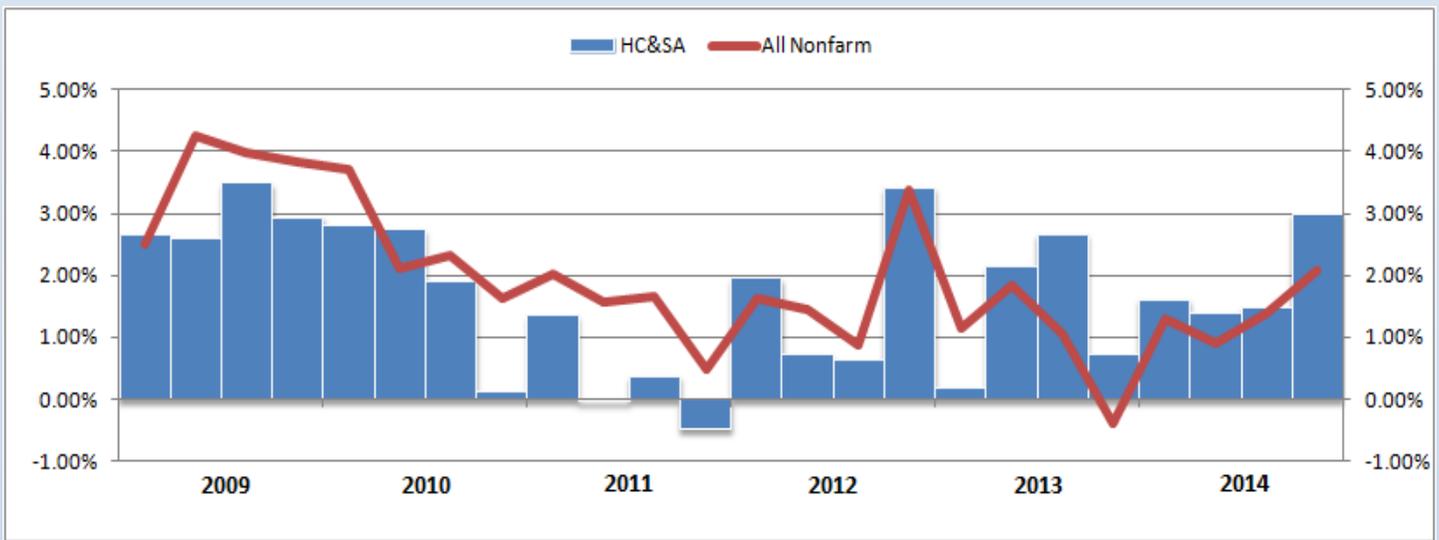
**Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.**



### Compensation per Employee Growth Rate

For the seventh consecutive quarter, the year-over-year growth rate in Virginia’s HC&SA compensation per employee exceeded the corresponding growth rate in the state’s total nonfarm compensation per employee. During the fourth quarter, the year-over-year growth rate in HC&SA compensation per employee increased from 1.48% to 3.01%. Even more impressively, the year-over-year growth rate in HC&SA compensation per employee has more than quadrupled over the past year. The year-over-year change in total nonfarm compensation per employee also increased during the quarter from 1.40% to 2.08%, continuing a recent trend of improving performance. In fact, the year-over-year growth in total nonfarm compensation per employee has increased dramatically since dipping briefly into negative territory one year ago.

**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.

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## 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/](http://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)

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## 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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