



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 16

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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

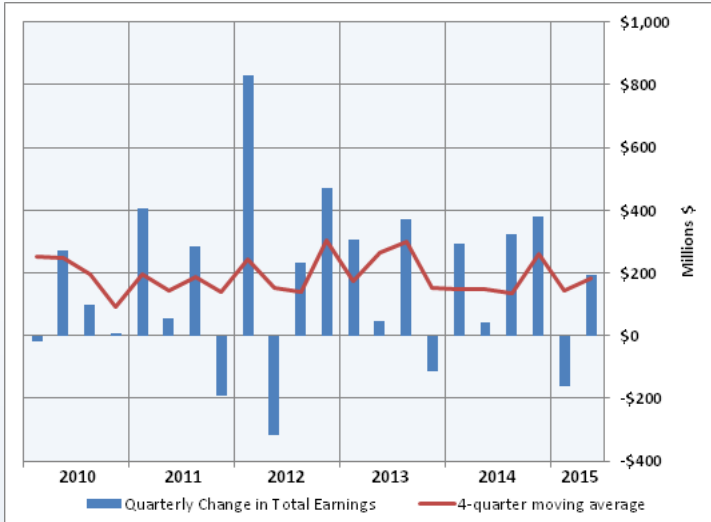
- ◆ In addition to the new income and compensation estimates for Q2 2015 from the Bureau of Economic Analysis (BEA), these results also include revised estimates from as far back as 1998.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$193 million to \$26.37 billion in Q2 2015. This represents a three-month annualized growth rate of 3.0%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$175 million to \$24.10 billion in Q2 2015. Over the past twelve months, total HC&SA employment compensation in the state has grown by 2.7%.
- ◆ Virginia's HC&SA compensation per employee fell by \$86 to \$57,942 in Q2 2015, which represents a three-month annualized growth rate of -0.6%. Despite this decline, however, HC&SA compensation per employee in the state has still grown by 0.8% over the past twelve months.

Data in Brief

| | Income (Millions of Dollars) | | | | Growth Rate, Annualized | | |
|---|------------------------------|--------------|--------------|--------------|-------------------------|---------|-----------|
| | Q2 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Annual | 6-Month | Quarterly |
| Earnings (Personal income less rents, interest, dividends and government payments) | | | | | | | |
| Virginia | \$292,501 | \$297,654 | \$298,954 | \$302,033 | 3.3% | 3.0% | 4.2% |
| National | \$10,514,180 | \$10,791,814 | \$10,834,813 | \$10,904,616 | 3.7% | 2.1% | 2.6% |
| Health Care & Social Assistance Earnings | | | | | | | |
| Virginia | \$25,634 | \$26,338 | \$26,178 | \$26,371 | 2.9% | 0.3% | 3.0% |
| National | \$1,140,692 | \$1,167,839 | \$1,174,441 | \$1,184,467 | 3.8% | 2.9% | 3.5% |
| Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits) | | | | | | | |
| Virginia | \$23,475 | \$24,113 | \$23,927 | \$24,102 | 2.7% | -0.1% | 3.0% |
| National | \$1,022,588 | \$1,046,119 | \$1,051,302 | \$1,060,295 | 3.7% | 2.7% | 3.5% |
| Health Care & Social Assistance Compensation per Employee (HWDC Estimate) | | | | | | | |
| Virginia | \$57,504 | \$58,626 | \$58,028 | \$57,942 | 0.8% | -2.3% | -0.6% |
| National | \$56,805 | \$57,201 | \$57,343 | \$57,223 | 0.7% | 0.1% | -0.8% |

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.



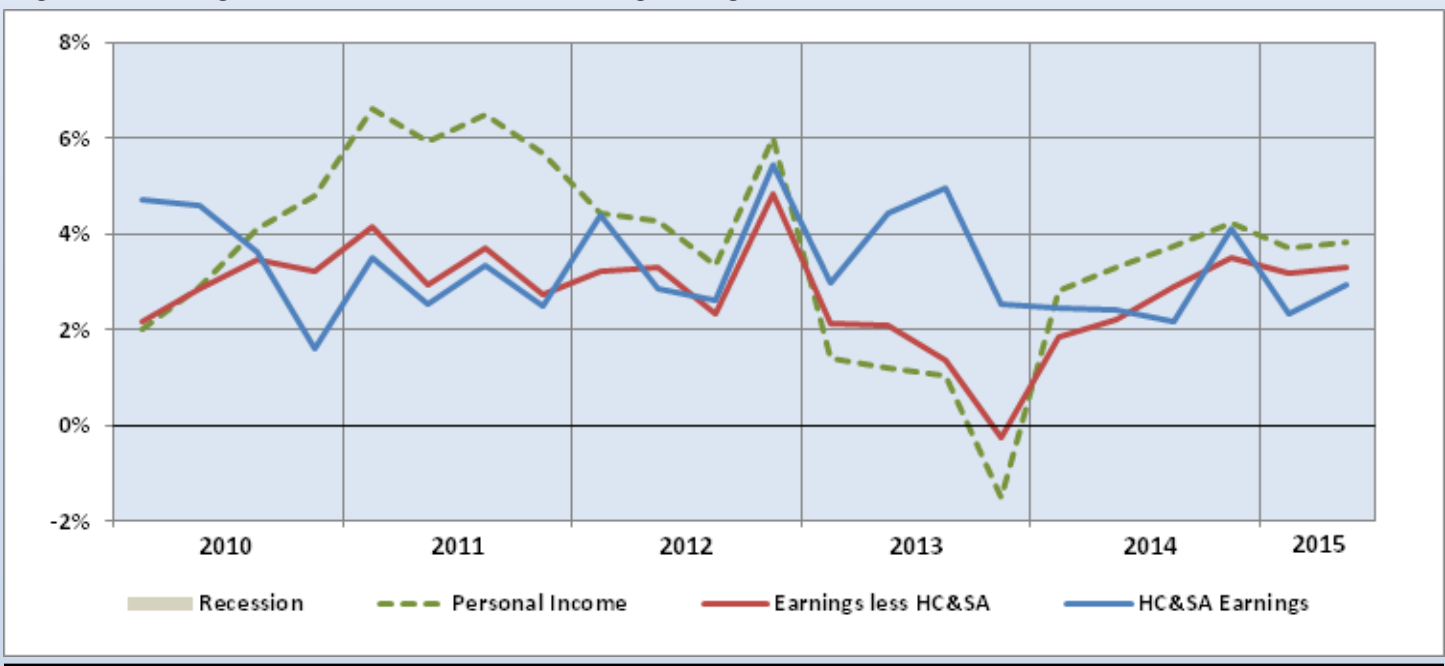
According to data released on Wednesday, September 30, 2015 by the U.S. Bureau of Economic Analysis, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$193 million in Q2 2015, recovering all of its losses from the previous quarter. With this gain, the four-quarter moving average of the level change in Virginia's total HC&SA earnings increased from \$146 million to \$184 million. This represents an increase of 25% relative to the year-ago period when the four-quarter moving average fell to \$148 million.

However, due to the \$160 million decline in total HC&SA earnings during Q1 2015, its worst quarterly decline in nearly three years, the state has seen year-to-date HC&SA earnings grow by only \$33 million, which represents a six-month annualized growth rate of just 0.3%. At the same point in 2014, earnings had already grown by \$335 million.

Virginia HC&SA Earnings Growth Rate

Personal income, HC&SA earnings, and non-HC&SA earnings all saw their four-quarter growth rate moving average increase in Q2 2015, although the gains during the quarter were relatively modest. The four-quarter moving average of the growth rate in Virginia's HC&SA earnings experienced the largest jump in Q2 2015, increasing from 2.34% to 2.93%. However, even with this increase, the four-quarter HC&SA earnings growth rate moving average still lags behind both non-HC&SA earnings and personal income. The four-quarter moving average of the growth rate in Virginia's non-HC&SA earnings saw a slight increase from 3.17% to 3.30% during the quarter, while the comparable growth rate moving average for personal income experienced an even smaller gain from 3.72% to 3.81%. Regardless, personal income has now enjoyed a faster average growth rate than HC&SA earnings for six consecutive quarters.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

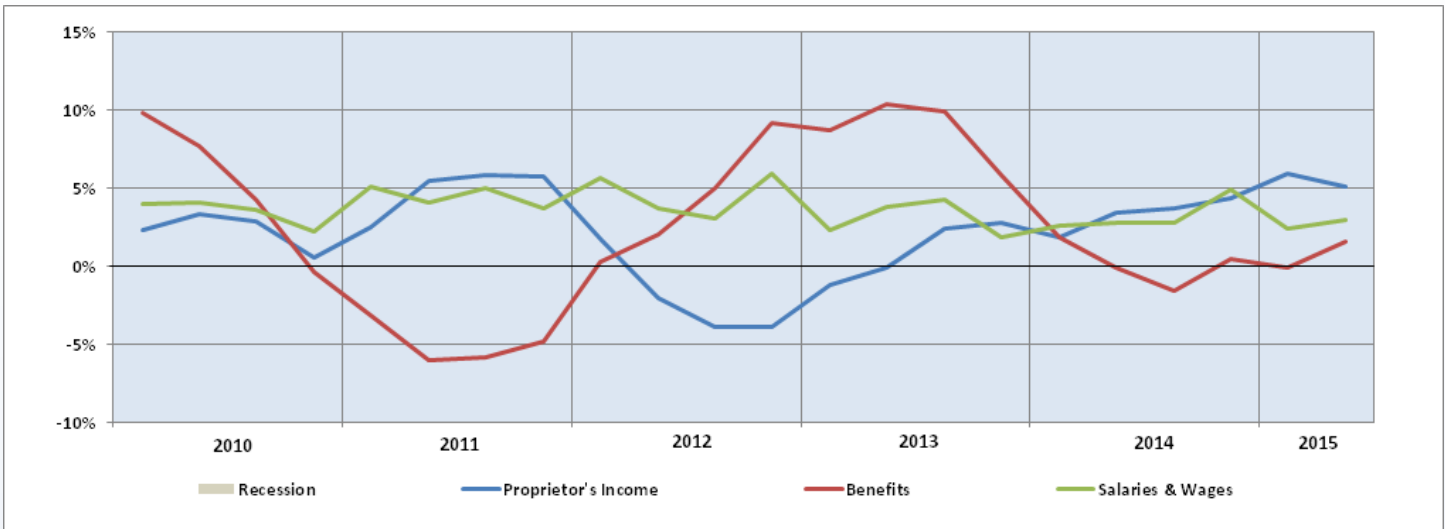


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

During Q2 2015, the four-quarter moving average of the growth rate in both forms of employee compensation increased. This growth was most pronounced in employee benefits, where the four-quarter moving average increased from -0.11% to 1.60%. Although the current long-term growth in employee benefits remains well below the levels seen in 2013, it still managed to reach its highest value since Q1 2014. At the same time, the four-quarter moving average of the growth rate in employee salaries & wages grew from 2.45% to 2.97%. Meanwhile, the growth in proprietor's income continues to exceed that of employees, although this differential decreased during the quarter. In Q2 2015, the four-quarter moving average of the growth rate in proprietor's income fell from 5.98% to 5.10%.

Annual Growth by Earnings Type

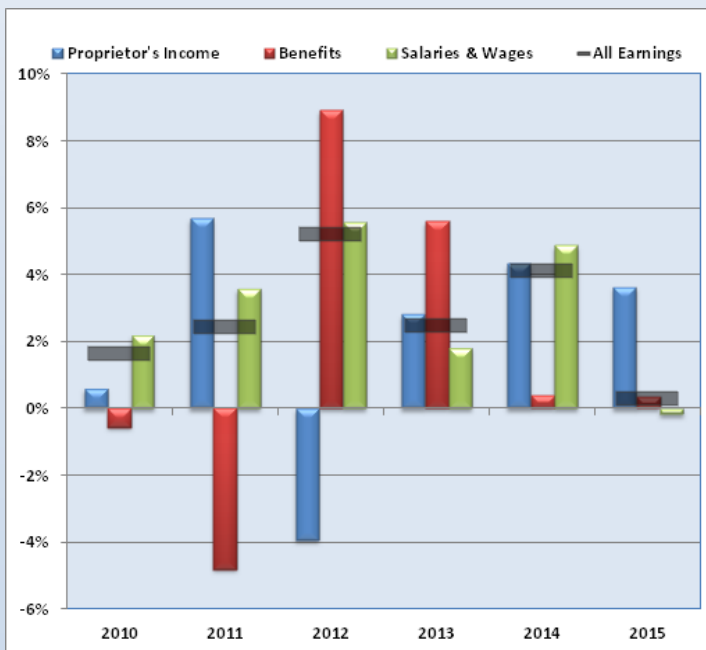


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Through the first half of 2015, total HC&SA earnings have only grown at a 0.3% annualized rate. If present trends continue, this would represent the slowest year for HC&SA earnings growth in more than a decade. Most of this lackluster growth has been due to sluggishness in the growth of employee compensation. This problem has been particularly acute with employee salaries & wages, which is currently retracting at an annualized growth rate of -0.2%. The growth of employee benefits has been little better, although this earnings type is at least growing positively, albeit at an annualized rate of just 0.3%, which represents its slowest annual growth rate since 2011. The little HC&SA earnings growth that Virginia has experienced so far this year has come from proprietor's income, which is currently growing at a 3.6% annualized rate. However, even this growth rate is down relative to the 4.3% annual growth rate of proprietor's income in 2014.

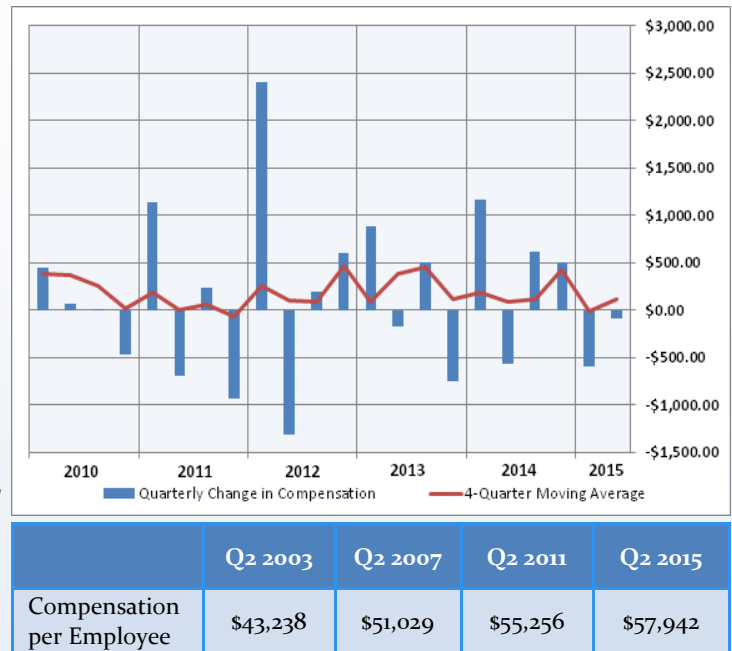
| Earnings Type | Level (Millions) | Share |
|---------------------|------------------|-------------|
| Proprietor's Income | \$2,269 | 8.6% |
| Benefits | \$4,022 | 15.3% |
| Salaries & Wages | \$20,080 | 76.1% |
| Total | \$26,371 | 100% |

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 \$57,942 (annualized) in Q1 2015. 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.

For the second consecutive month, compensation per employee in Virginia's HC&SA sector declined, something that has not happened in more than a decade. After falling \$598 in Q1 2015, Virginia's HC&SA compensation per employee fell yet again in Q2 2015, although the decline amounted to a considerably more modest \$86, which represents a three-month annualized growth rate of -0.6% . Regardless, the four-quarter moving average of the level change in the state's HC&SA compensation per employee actually rebounded off a three-year low, increasing to \$110 during the quarter.

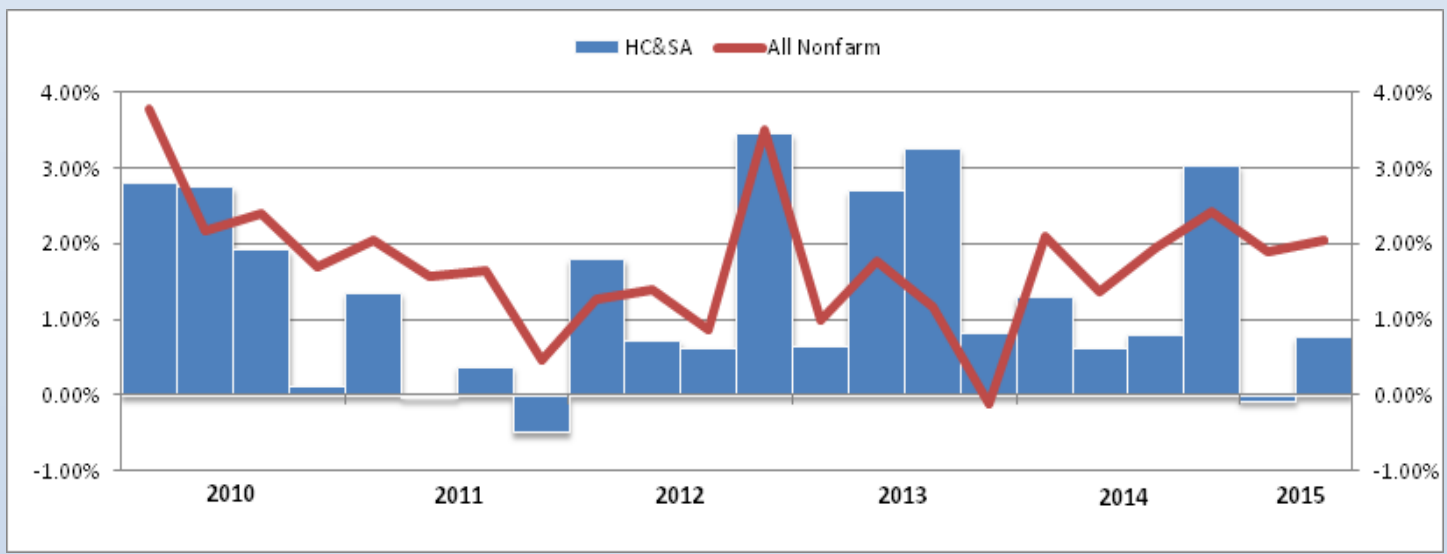
Figure 5: Quarterly Change in Employee Compensation from Virginia's Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

After briefly dipping negative during Q1 2015, the year-over-year growth rate in Virginia's HC&SA compensation per employee rebounded into positive territory in Q2 2015 at 0.76% . Although the year-over-year growth rate in Virginia's HC&SA compensation per employee has been generally trending downward over the past three years, this quarter's result actually represents a modest improvement relative to its 0.62% growth rate in the year-ago period. However, Virginia's year-over-year growth rate of HC&SA compensation per employee still lags behind the comparable rate for the state's total nonfarm payroll, which increased from 1.88% to 2.05% in Q2 2015. This value represents a 50% improvement relative to its year-over-year growth rate during Q2 2014.

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)

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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.
