



# Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

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

Series 3, Issue 19

June 2016

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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

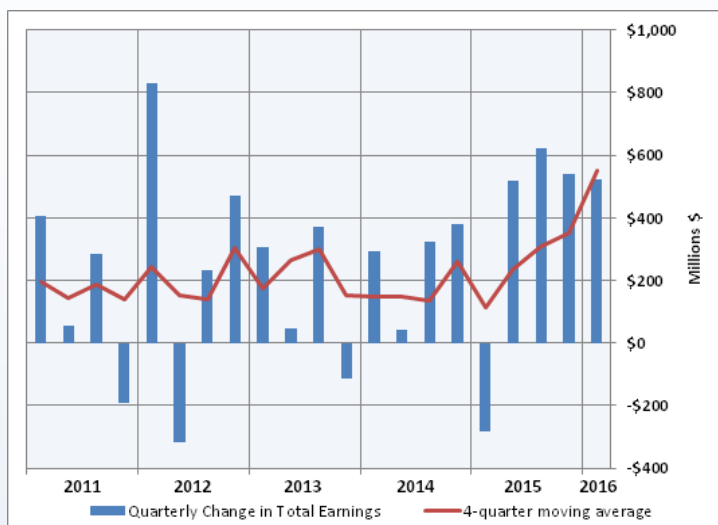
- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2016 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for Q1-Q4 2015.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$521 million to \$28.26 billion in Q1 2016. This represents a three-month annualized growth rate of 7.7%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$495 million to \$25.89 billion in Q1 2016. This represents a three-month annualized growth rate of 8.0%.
- ◆ Virginia's HC&SA compensation per employee grew by \$897 to \$60,573 in Q1 2016, which represents a three-month annualized growth rate of 6.2%. Meanwhile, national HC&SA compensation per employee grew by \$908 to \$59,651 during the quarter.

### Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2015	Q3 2015	Q4 2015	Q1 2016	Annual	6-Month	Quarterly
<b>Earnings (Personal income less rents, interest, dividends and government payments)</b>							
<b>Virginia</b>	\$299,024	\$307,929	\$310,631	\$314,523	5.2%	4.3%	5.1%
<b>National</b>	\$10,841,419	\$11,088,006	\$11,239,595	\$11,360,890	4.8%	5.0%	4.4%
<b>Health Care &amp; Social Assistance Earnings</b>							
<b>Virginia</b>	\$26,056	\$27,198	\$27,739	\$28,260	8.5%	8.0%	7.7%
<b>National</b>	\$1,174,435	\$1,208,379	\$1,237,800	\$1,259,213	7.2%	8.6%	7.1%
<b>Health Care &amp; Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages &amp; benefits)</b>							
<b>Virginia</b>	\$23,806	\$24,884	\$25,396	\$25,891	8.8%	8.3%	8.0%
<b>National</b>	\$1,051,296	\$1,081,733	\$1,109,602	\$1,129,572	7.4%	9.0%	7.4%
<b>Health Care &amp; Social Assistance Compensation per Employee (HWDC Estimate)</b>							
<b>Virginia</b>	\$57,712	\$58,948	\$59,676	\$60,573	5.0%	5.6%	6.2%
<b>National</b>	\$57,430	\$58,037	\$58,744	\$59,651	3.9%	5.6%	6.3%

## 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 Wednesday, June 22, 2016 by the U.S. Bureau of Economic Analysis, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$521 million in Q1 2016 to \$28.26 billion. This gain represents a three-month annualized growth rate of 7.7%, which exceeds the nationwide HC&SA average of 7.1% during the quarter.

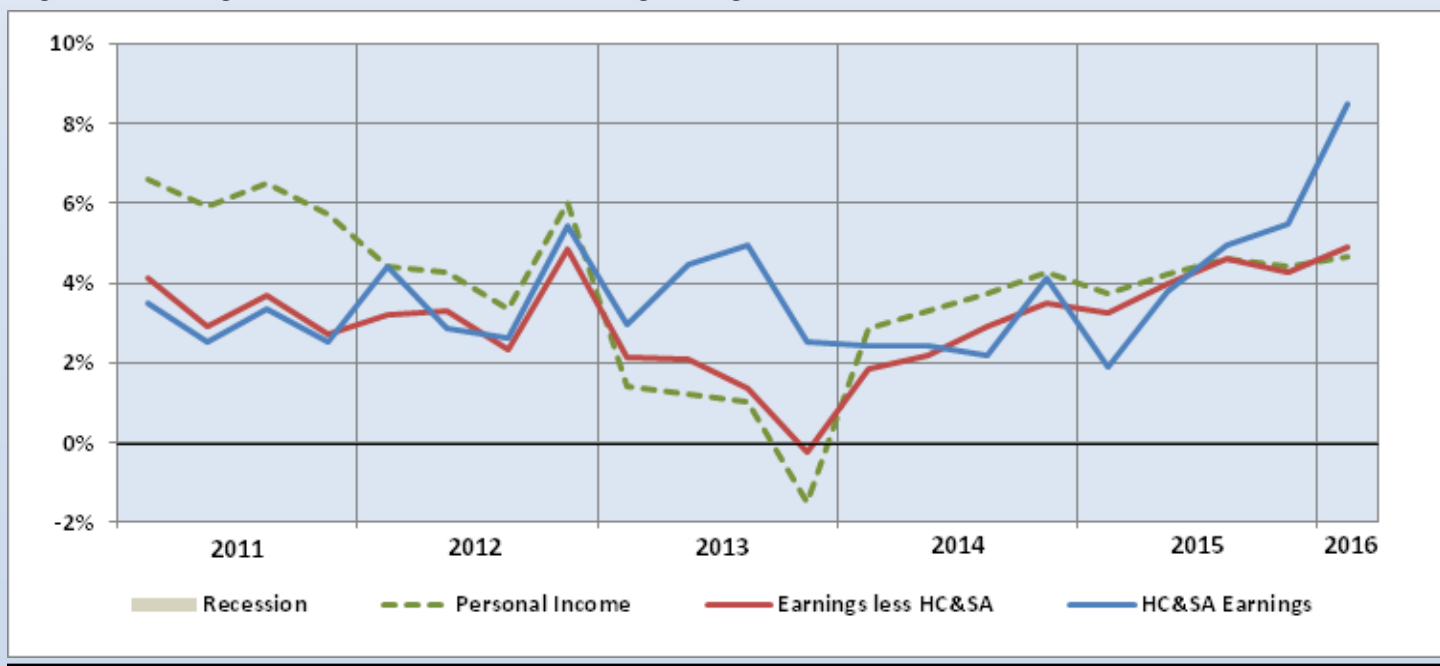
Total HC&SA earnings in the state have been growing considerably over the past year. In fact, over the past four quarters, these earnings have grown by \$2.2 billion, which represents a 12-month growth rate of 8.5%.

Thanks to this growth, the four-quarter moving average of the change in Virginia total HC&SA earnings has skyrocketed. During Q1 2016, this moving average increased to \$551 million, reaching a high not seen in more than a decade.

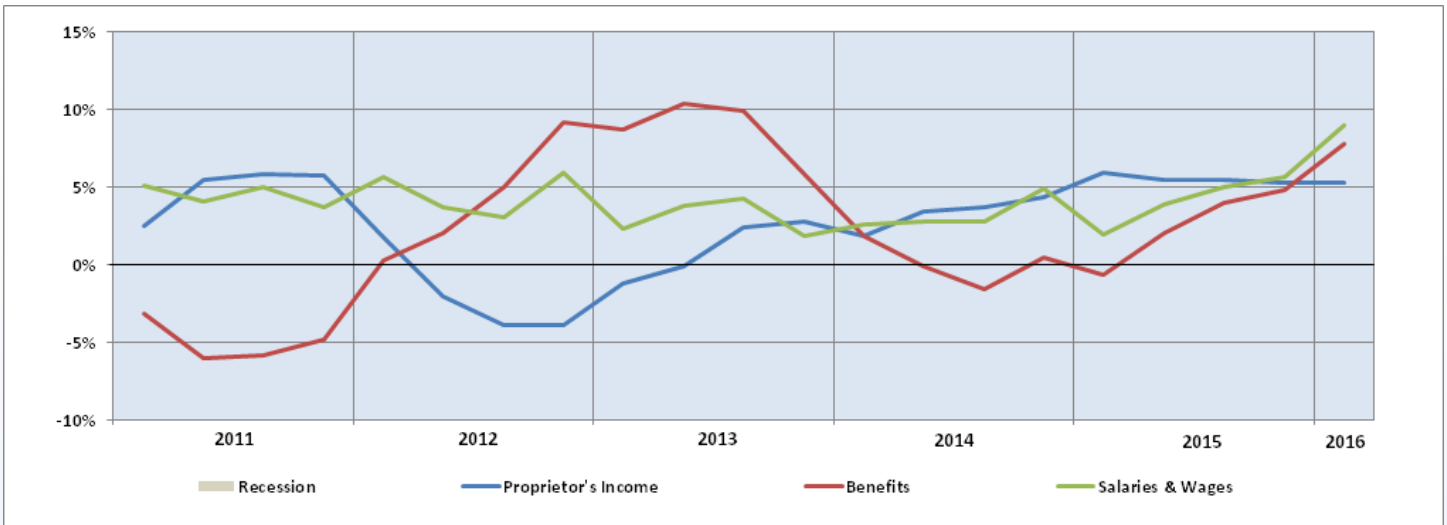
## Virginia HC&SA Earnings Growth Rate

Earnings growth in Virginia's HC&SA sectors, non-HC&SA sectors, and personal income have been very impressive. In Q1 2015, the four-quarter moving average of the growth rate in Virginia's HC&SA earnings fell to a four-year low of 1.89%. However, after four consecutive quarters of strong earnings growth, this moving average increased all the way to 8.46%. At its current value, this moving average has reached a high that has not been seen since Q2 2008. The four-quarter moving averages of the growth rate in non-HC&SA earnings and personal income also rose during the quarter, although these gains were considerably more modest. The moving average for non-HC&SA earnings increased from 4.43% to 4.66%, which represents a three-year high. As for Virginia's personal income, its four-quarter growth rate moving average increased from 4.28% to 4.88%. The growth rate in the state's personal income has not been at such a high level since Q2 2006.

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



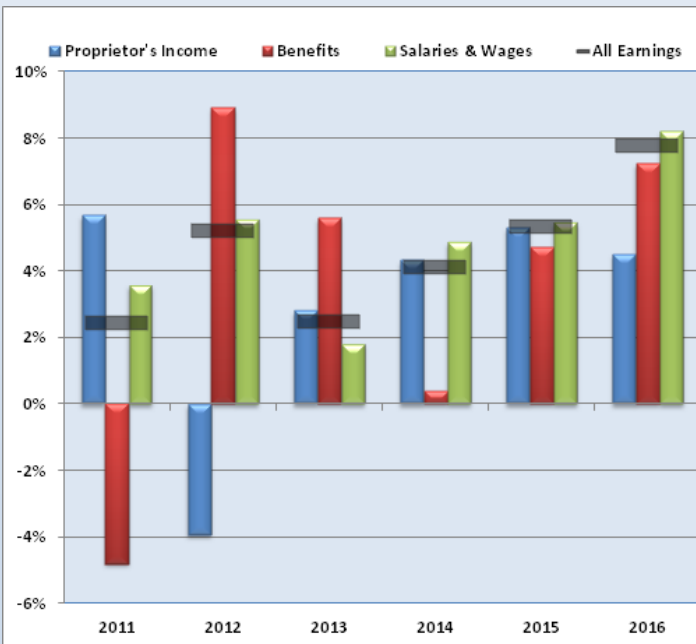
## Virginia HC&SA Earnings Growth Rate by Earnings Type



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

Although Virginia's HC&SA earnings growth has been very strong overall, this growth has been particularly impressive with respect to employee compensation. In Q1 2016, the four-quarter moving average of the growth rate in HC&SA employee salaries & wages increased to a ten-year high of 8.96%. The comparable four-quarter moving average for HC&SA employee benefits is not far behind at 7.79%, which represents a two-and-a-half year high. On the other hand, the four-quarter moving average of the growth rate in HC&SA proprietor's income actually declined slightly during the quarter to 5.29%. Although the moving average for HC&SA proprietor's income has drifted slowly downward over the past year, it is still growing at a very high rate relative to the levels seen between 2012 and 2014.

## Annual Growth by Earnings Type



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

So far in 2016, total HC&SA earnings are growing at a 7.7% annualized rate. If this trend continues through the rest of the year, it would represent the fastest annual growth rate for Virginia's HC&SA earnings since 2008. Employee salaries & wages are currently the most significant contributor to this strong earnings growth. So far in 2016, this earnings type is growing at an 8.2% annualized rate. Employees salaries & wages have not grown at such a rate since 2006 when this earnings type enjoyed an 8.4% annual growth rate. The annualized growth rate in employee benefits is not far behind at 7.2%. The current growth rate in employee benefits is particularly impressive given that such growth was practically nonexistent just two years ago. Meanwhile, the current annualized growth rate for proprietor's income is lagging behind that of both forms of employee compensation; regardless, it is still growing rather strongly at a 4.5% annualized rate.

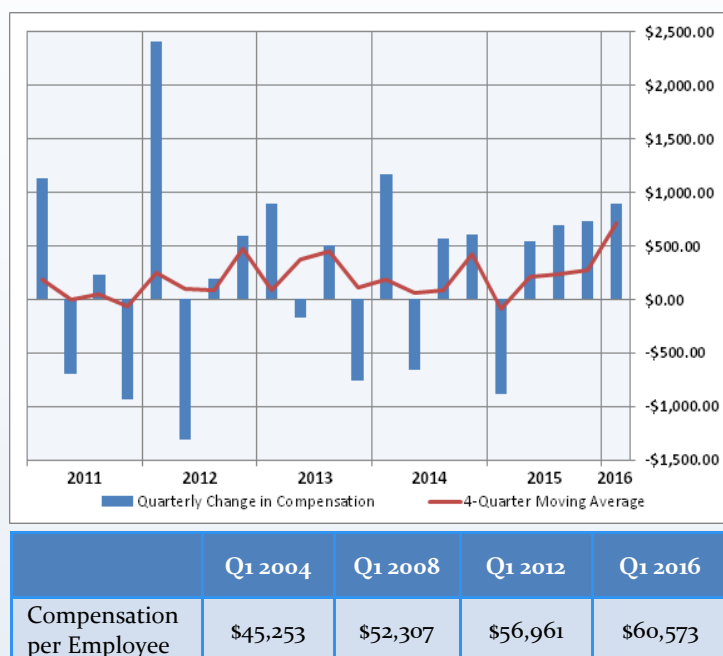
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,343	8.4%
Benefits	\$4,204	15.2%
Salaries & Wages	\$21,192	76.4%
<b>Total</b>	<b>\$27,739</b>	<b>100%</b>

## 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 \$60,573 (annualized) in Q1 2016. 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 in Q1 2016 by \$897.46 to \$60,573, which represents a three-month annualized growth rate of 6.2%. This also represents the largest one-quarter increase in Virginia's HC&SA compensation per employee in two years. Thanks in part to this quarter's gain as well as to growth that occurred throughout most of 2015, the four-quarter moving average of the change in Virginia's HC&SA compensation per employee increased to \$715.42. At the same point in time just one year ago, this moving average was negative at -\$89.65.

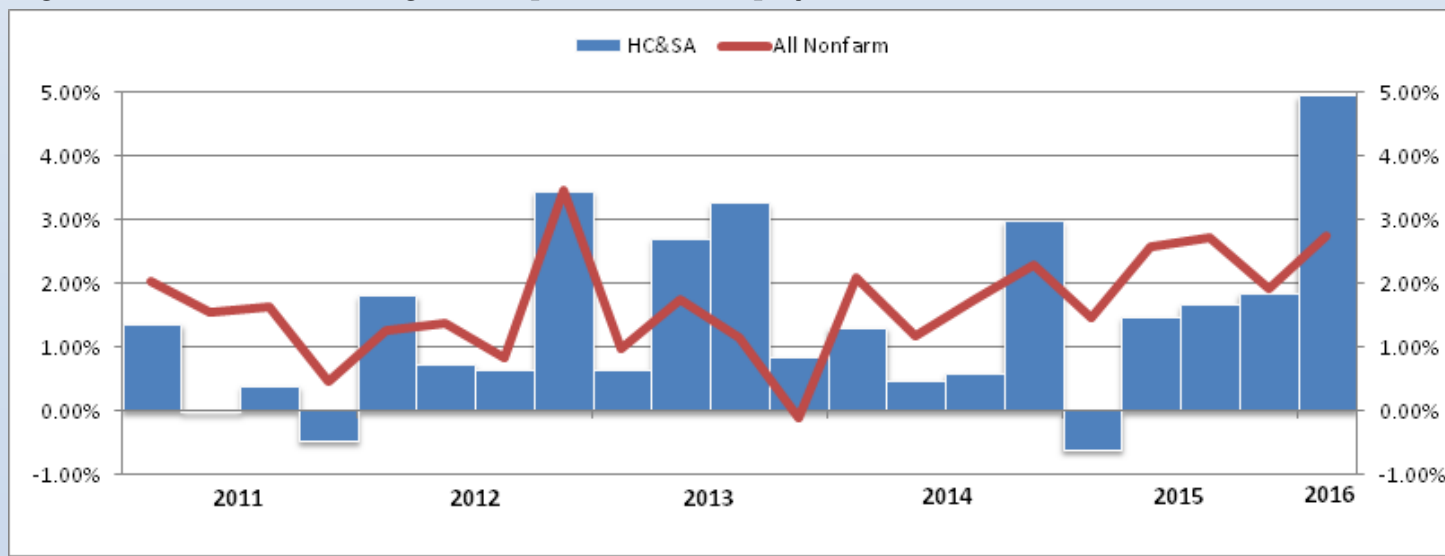
**Figure 5: Quarterly Change in Employee Compensation from Virginia's Health Care & Social Assistance Sector.**



## Compensation per Employee Growth Rate

With this quarter's result, the year-over-year growth rate in Virginia's HC&SA compensation per employee more than doubled from 1.84% to 4.96%. With this dramatic increase, the year-over-year growth rate in HC&SA compensation per employee has reached its highest value in ten years. In addition, the year-over-year growth rate in Virginia's HC&SA compensation per employee now exceeds the comparable growth rate for total nonfarm compensation per employee for the first time since Q4 2014. Despite this reversal, the year-over-year growth rate in total nonfarm payroll compensation per employee also increased during the quarter from 1.92% to 2.75%. Although this gain is relatively modest when compared to the increase in HC&SA compensation per employee, this current level still represents a 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.

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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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