



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

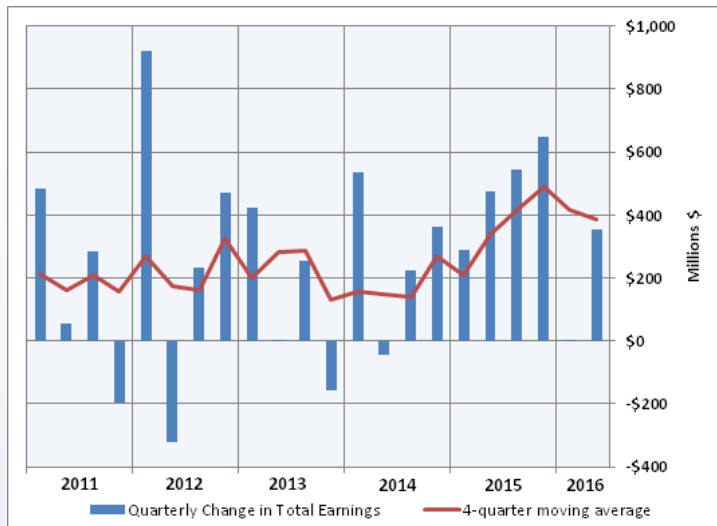
- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2016 from the Bureau of Economic Analysis (BEA), these results also include revised estimates that go as far back as 1998.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$355 million to \$28.67 billion in Q2 2016. Total HC&SA earnings in Virginia have now increased for eight consecutive quarters.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$324 million to \$26.12 billion in Q2 2016. This represents a three-month annualized growth rate of 5.1%.
- ◆ Virginia's HC&SA compensation per employee grew by \$436 to \$60,791 in Q2 2016, which represents a three-month annualized growth rate of 2.9%. Over the past 12 months, Virginia's HC&SA compensation per employee has grown by \$1,477.05.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2015	Q4 2015	Q1 2016	Q2 2016	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$303,693	\$311,491	\$310,912	\$313,829	3.3%	1.5%	3.8%
National	\$11,008,665	\$11,296,827	\$11,296,482	\$11,415,618	3.7%	2.1%	4.3%
Health Care & Social Assistance Earnings							
Virginia	\$27,122	\$28,312	\$28,314	\$28,669	5.7%	2.5%	5.1%
National	\$1,198,868	\$1,251,665	\$1,251,205	\$1,269,220	5.9%	2.8%	5.9%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$24,736	\$25,846	\$25,798	\$26,122	5.6%	2.1%	5.1%
National	\$1,074,048	\$1,122,657	\$1,119,650	\$1,135,989	5.8%	2.4%	6.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$59,314	\$60,733	\$60,356	\$60,791	2.5%	0.2%	2.9%
National	\$57,976	\$59,435	\$59,127	\$59,466	2.6%	0.1%	2.3%

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, September 28, 2016 by the U.S. Bureau of Economic Analysis, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$355 million in Q2 2016 to \$28.67 billion, which represents a three-month annualized growth rate of 5.1%.

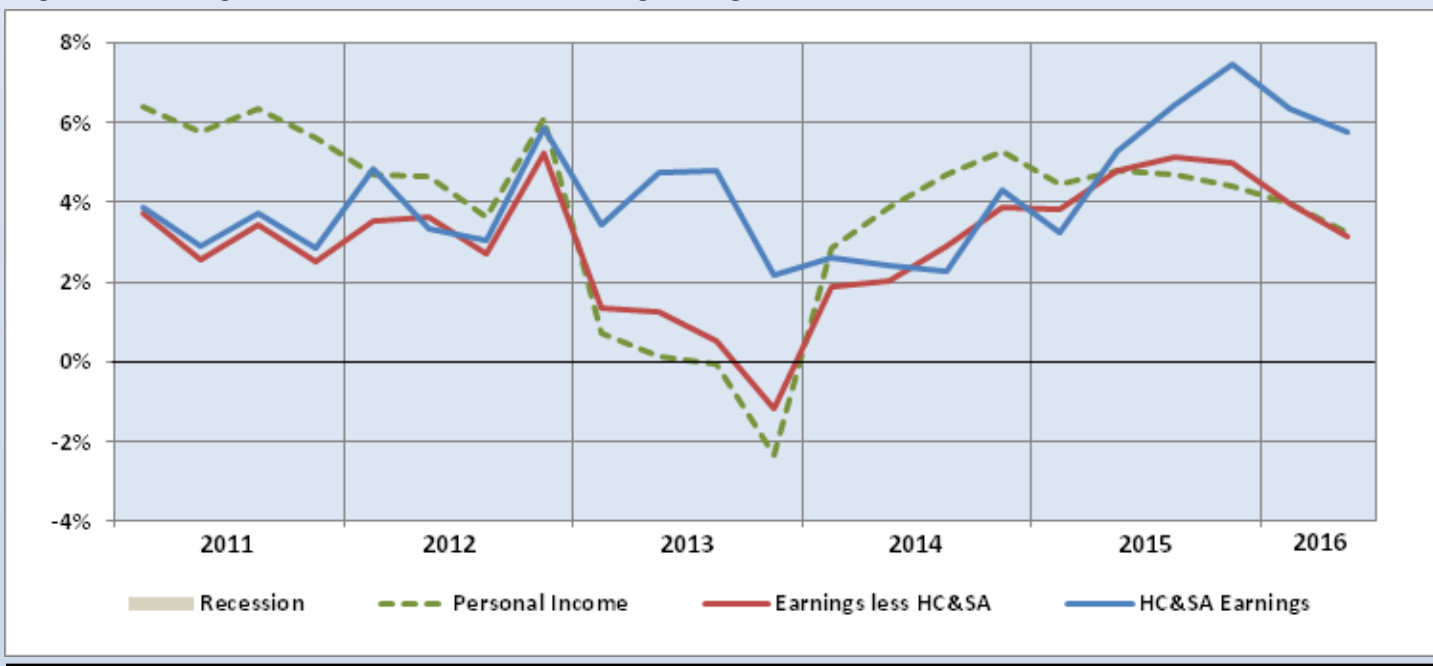
Despite this gain, the growth in the state's total HC&SA earnings actually underperformed the national average slightly during the quarter. Nationwide, total HC&SA earnings increased by \$18.02 billion, which represents a three-month annualized growth rate of 5.9%.

Regardless, the growth in Virginia's total HC&SA earnings has still been rather impressive. In fact, total HC&SA earnings have now grown for eight consecutive quarters. During the streak, the four-quarter moving average of the level change in HC&SA earnings has nearly tripled to 387 million.

Virginia HC&SA Earnings Growth Rate

Although Virginia's total HC&SA earnings increased this quarter, its four-quarter growth rate moving average fell from 6.32% to 5.77% during Q2 2016, thereby reaching its lowest value since Q2 2015. However, the long-term trend for the state's total HC&SA earnings remains considerably more positive. Over the past two years, the four-quarter moving average of the growth rate in Virginia's total HC&SA earnings has increased from 2.28% to its current value of 5.77%. Virginia's non-HC&SA earnings and personal income also saw declines in their respective moving averages during the quarter. The four-quarter growth rate moving average for Virginia's non-HC&SA earnings fell to its lowest value in nearly two years after declining for the third-consecutive quarter from 3.94% to 3.13%. As for the state's personal income, its moving average declined from 3.98% to 3.26% during the quarter. This represents its lowest value since Q1 2014.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

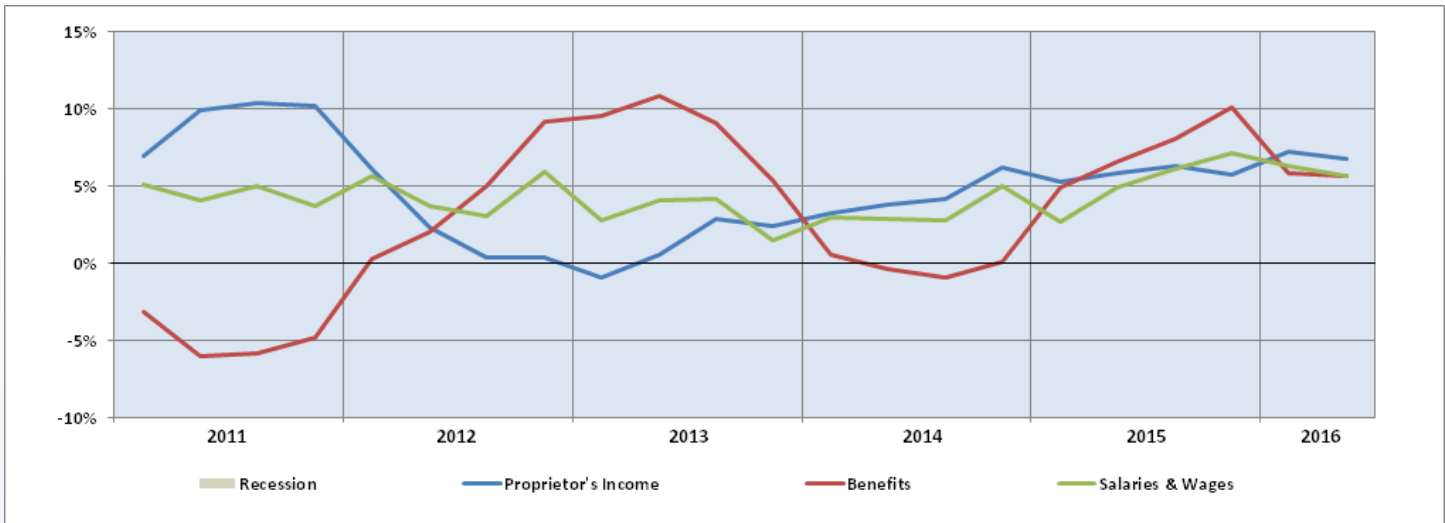


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Although the growth rate for all HC&SA earnings types in the state fell in Q2 2016, these declines were relatively modest. For the second consecutive quarter, proprietor's income was the fastest-growing HC&SA earnings type even though its four-quarter growth rate moving average fell in Q2 2016 from 7.21% to 6.76%. At the same time, the growth rates for both forms of HC&SA employee compensation continue to be quite impressive. The four-quarter moving average of the growth rate in employee benefits fell slightly in Q2 2016 from 5.88% to 5.71%. This quarter's result continues the decline from Q4 2015 when the four-quarter growth rate moving average for HC&SA benefits reached a two-and-a-half year high of 10.13%. HC&SA salaries & wages also saw its four-quarter growth rate moving average fall during the quarter from 6.32% to 5.68%.

Annual Growth by Earnings Type

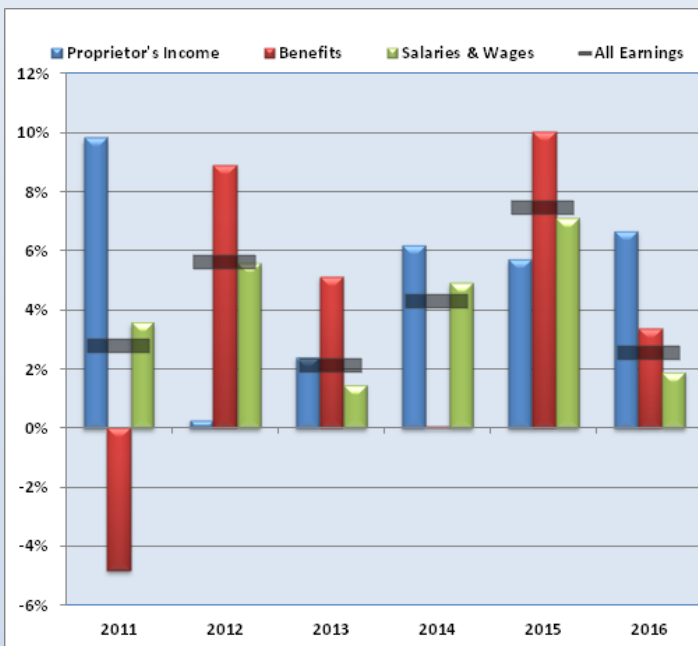


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

Through the first half of 2016, Virginia's total HC&SA earnings have grown at a 2.5% annualized rate. If this trend continues throughout the second half of the year, it would represent the lowest annual growth rate for Virginia's HC&SA earnings since 2013. This slower growth has been driven by a slowdown in HC&SA employee compensation. In 2015, HC&SA benefits grew by 10.0%, while HC&SA salaries & wages increased by 7.1%. However, so far in 2016, these annualized growth rates have fallen to 3.4% and 1.9%, respectively. While the growth in HC&SA employee compensation has been slowing down, the growth rate in HC&SA proprietor's income has improved from 5.7% in 2015 to a 6.7% annualized rate so far in 2016. If HC&SA proprietor's income maintains this growth rate through the end of the year, it would represent its fastest annual growth rate since 2011. In that year, HC&SA proprietor's income in the state grew by 9.8%.

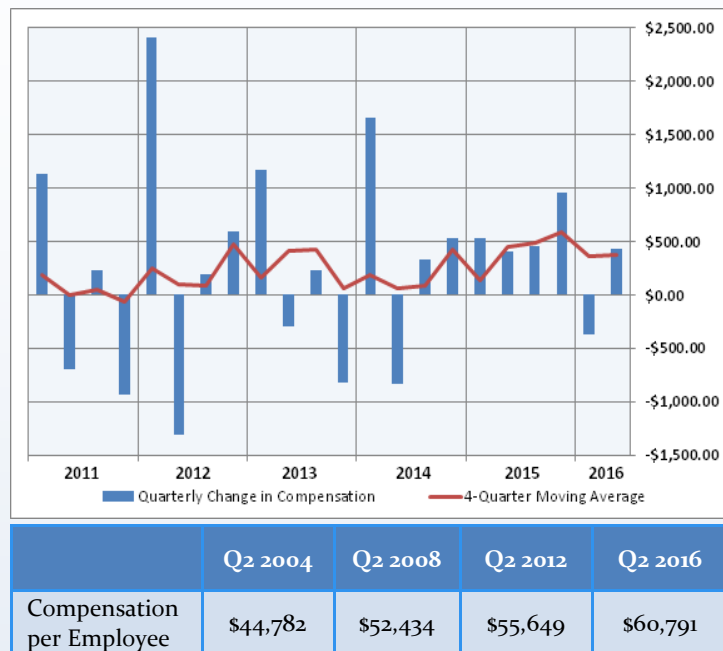
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,547	8.9%
Benefits	\$4,456	15.5%
Salaries & Wages	\$21,666	75.6%
Total	\$28,669	100%

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 \$60,791 (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.

In Q2 2016, Virginia's HC&SA compensation per employee increased by \$435.64 to \$60,791, which represents a three-month annualized growth rate of 2.9%. This growth rate is above the 2.3% national average for the HC&SA sector during the quarter. However, the 12-month growth rate of the state's HC&SA compensation per employee, which currently stands at 2.5%, lags slightly behind the 2.6% national average. Regardless, over the past year, total HC&SA compensation per employee in Virginia has still grown by an average of \$369.26 per quarter.

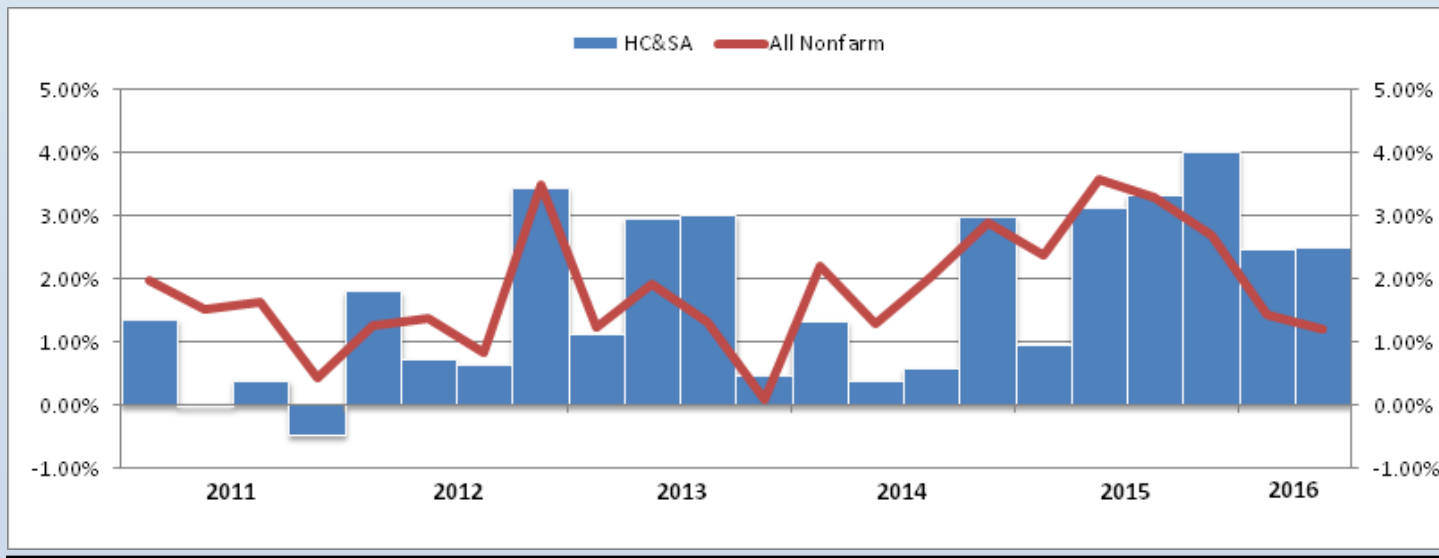
Figure 5: Quarterly Change in Employee Compensation from Virginia's Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

After falling from 4.02% to 2.45% in Q1 2016, the year-over-year growth rate of Virginia's HC&SA compensation per employee experienced a modest rebound to 2.49% in Q2 2016. With this quarter's result, the year-over-year growth rate of Virginia's HC&SA compensation per employee has now exceeded the comparable growth rate for the state's total nonfarm payroll compensation per employee for four consecutive quarters. During this most recent trend, the year-over-year growth rate of Virginia's total nonfarm payroll compensation per employee has declined in every quarter. After reaching a high of 3.57% in Q2 2015, the year-over-year growth rate in Virginia's total nonfarm payroll compensation per employee has declined all the way to a two-and-a-half year low of 1.19%.

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.
