



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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Highlights

- ◆ In addition to the new income and compensation estimates for Quarter 3 (Q3) 2017 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2017 to Q2 2017.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$471 million to \$30.13 billion in Q3 2017. This gain represents a three-month annualized growth rate of 6.5%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$439 million to \$27.52 billion in Q3 2017. This growth was fueled by broad-based gains in both proprietor's income and employee compensation.
- ◆ HC&SA compensation per employee in the state increased by \$292 to \$61,569 in Q3 2017. Although this quarterly gain was less than the overall national HC&SA average, Virginia's HC&SA compensation per employee has still grown by 3.3% over the past 12 months.

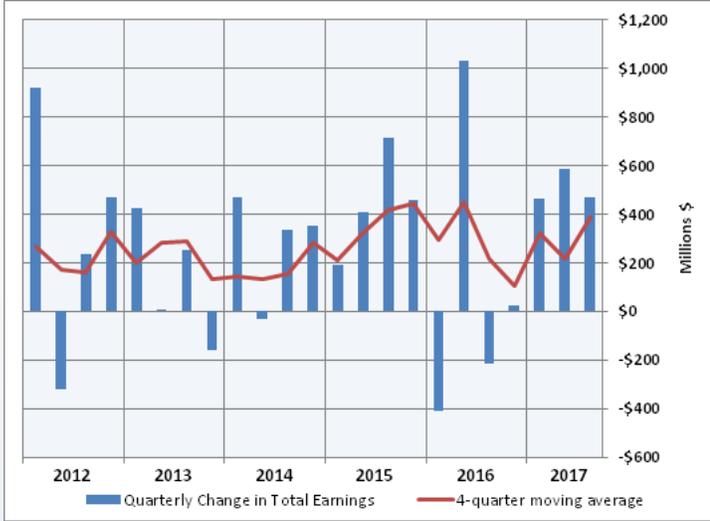
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$311,474	\$315,199	\$316,677	\$319,503	2.6%	2.7%	3.6%
National	\$11,410,851	\$11,531,318	\$11,606,756	\$11,701,888	2.6%	3.0%	3.3%
Health Care & Social Assistance Earnings							
Virginia	\$28,579	\$29,065	\$29,654	\$30,125	5.4%	7.4%	6.5%
National	\$1,282,413	\$1,299,595	\$1,314,124	\$1,332,585	3.9%	5.1%	5.7%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$26,093	\$26,503	\$27,076	\$27,515	5.4%	7.8%	6.6%
National	\$1,153,613	\$1,166,896	\$1,180,535	\$1,197,324	3.8%	5.3%	5.8%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$59,605	\$60,661	\$61,276	\$61,569	3.3%	3.0%	1.9%
National	\$60,410	\$60,497	\$60,730	\$61,395	1.6%	3.0%	4.5%

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.



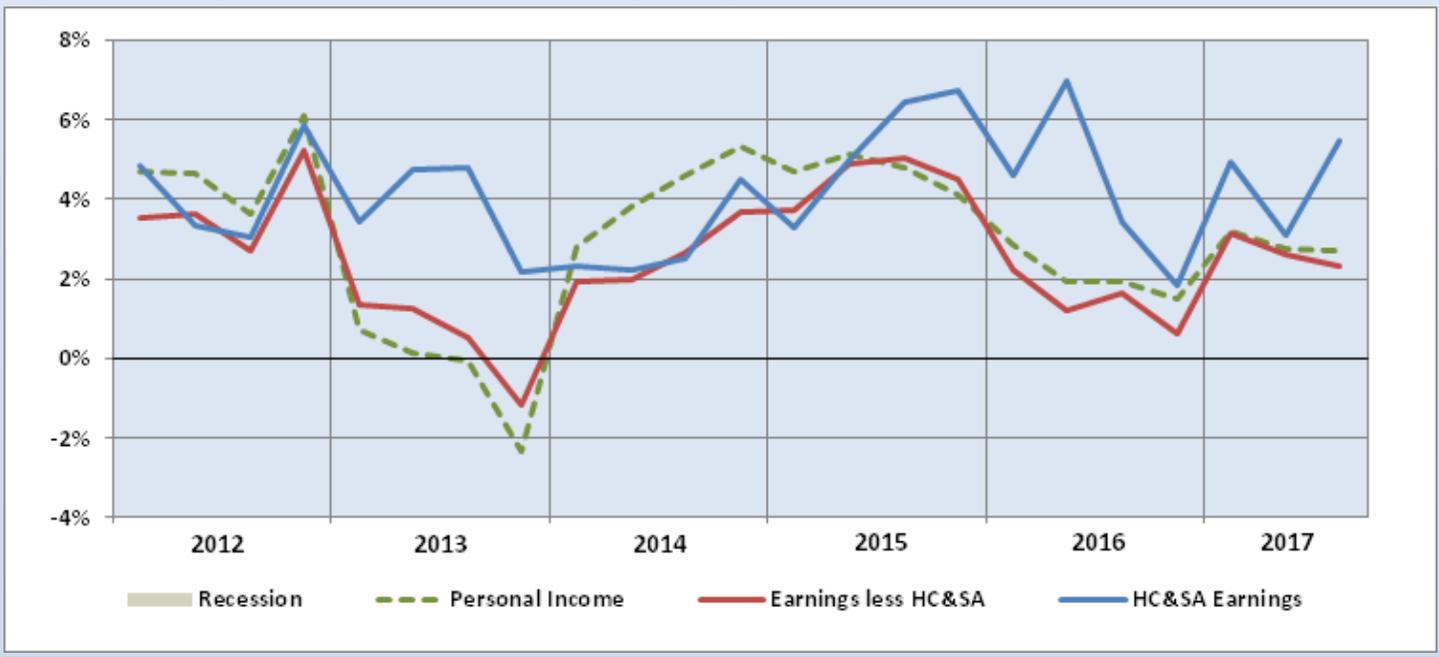
According to data released on Wednesday, December 20, 2017 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$471 million to \$30.13 billion in Q3 2017. This gain represents a three-month annualized growth rate of 6.5%, which exceeds the 5.7% nationwide average for the HC&SA sector during the quarter. In addition, this gain represents the fourth consecutive quarter in which Virginia’s total HC&SA earnings increased.

The growth in Virginia’s total HC&SA earnings has been particularly impressive in 2017. So far this year, total HC&SA earnings in the state have grown by \$1.52 billion. This year-to-date gain far exceeds the \$427 million increase in total HC&SA earnings in 2016. Thanks to this strong growth, the four-quarter HC&SA earnings growth rate moving average has reached its highest value since Q2 2016.

Virginia HC&SA Earnings Growth Rate

Ever since reaching a six-year low of 1.84% at the end of 2016, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings has rebounded strongly. In fact, this moving average jumped up from 3.08% to 5.45% in Q3 2017, thereby continuing an upward trend that began at the beginning of 2017. Regardless, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings has room to grow given that it remains below the levels seen in late 2015 and early 2016. Meanwhile, both the state’s non-HC&SA earnings and personal income saw little change in their respective four-quarter growth rate moving averages in Q3 2017. The four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings fell from 2.63% to 2.31% in Q3 2017, while the corresponding moving average for the state’s personal income also fell slightly during the quarter from 2.74% to 2.69%.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

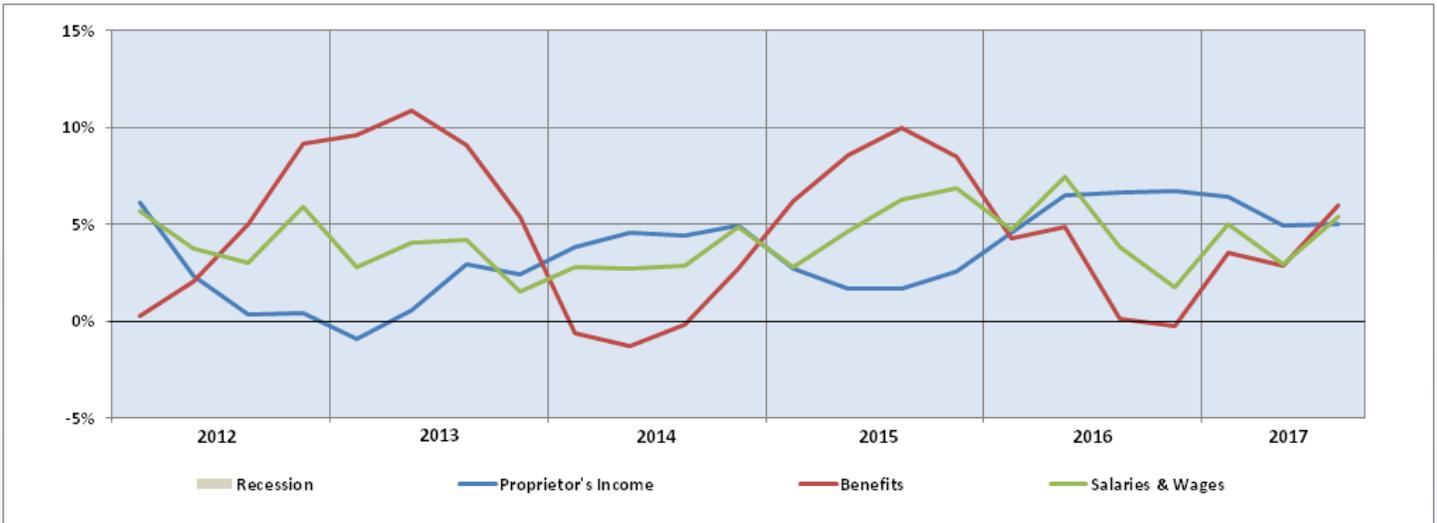


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Virginia’s HC&SA earnings growth has been driven by strong gains in both proprietor’s income and both forms of employee compensation. After more than doubling from 2.86% to 5.96% in Q3 2017, the four-quarter moving average of the growth rate in HC&SA employee benefits has reached its highest value in nearly two years. This strength is particularly impressive given that the four-quarter moving average of the growth rate in HC&SA employee benefits was negative less than one year ago. The four-quarter moving average of the growth rate in HC&SA salaries & wages also increased dramatically during the quarter from 2.94% to 5.41%. As for HC&SA proprietor’s income, its four-quarter growth rate moving average inched upward from 4.94% to 5.00%.

Annual Growth by Earnings Type

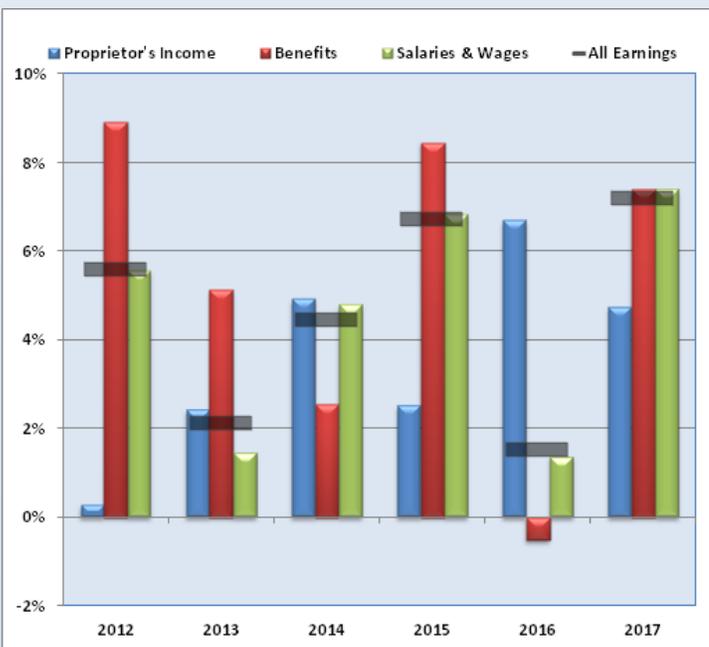


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In 2016, HC&SA earnings growth in the state was driven mostly by gains in proprietor’s income. While HC&SA proprietor’s income continues to produce impressive gains this year, its growth has been overshadowed by a dramatic reversal in HC&SA employee compensation. HC&SA salaries & wages only grew by 1.4% in 2016, while growth in HC&SA benefits actually declined during the year. However, both forms of HC&SA employee compensation are currently growing at a 7.4% annualized rate in 2017. If this trend continues in Q4 2017, this will represent the fastest annual growth rate of HC&SA salaries & wages in a decade.

Thanks in large part to the strong growth in HC&SA compensation, Virginia’s total HC&SA earnings is currently growing at a 7.2% annualized rate. At its current level, this represents the fastest overall HC&SA earnings growth rate since 2008.

Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,610	8.7%
Benefits	\$4,646	15.4%
Salaries & Wages	\$22,869	75.9%
Total	\$30,125	100%

HC&SA Compensation per Employee

According to the Healthcare Workforce Data Center’s estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$61,569 (annualized) in Q3 2017. 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 total HC&SA compensation per employee has grown strongly so far in 2017. In Q3 2017, total HC&SA compensation per employee increased by \$292.18. This gain represents the third consecutive quarter in which HC&SA compensation per employee has increased. During these three quarters, total HC&SA compensation per employee has increased by \$2,185.61. Even after accounting for a \$221.84 decline in Q4 2016, the four-quarter moving average of the change in total HC&SA compensation per employee still reached its highest value in more than ten years in Q3 2017.

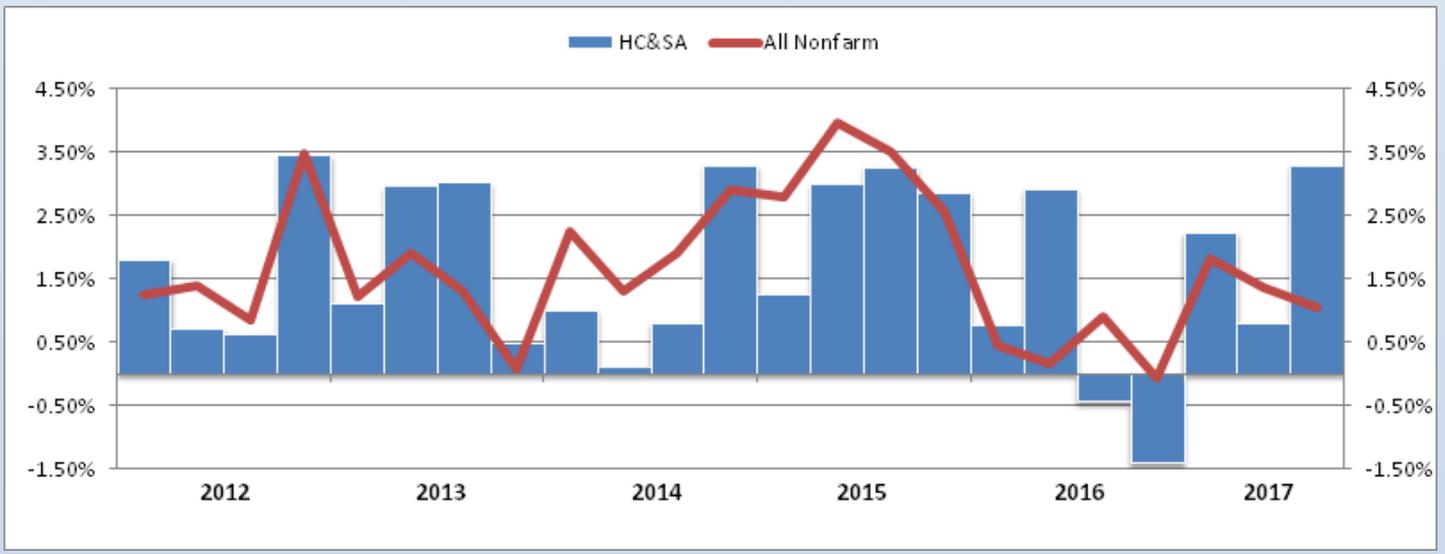
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

In Q3 2017, the year-over-year growth rate in Virginia’s total HC&SA compensation per employee more than quadrupled from 0.79% to 3.29%. With this gain, the year-over-year growth rate in the state’s total HC&SA compensation per employee reached its highest value in nearly five years. In addition, this resurgence marks an impressive turnaround in the growth of Virginia’s HC&SA compensation per employee given that its year-over-year growth rate was negative just one year ago. On the other hand, the year-over-year growth rate in Virginia’s total nonfarm payroll declined for the second consecutive quarter. However, even at its current year-over-year growth rate of 1.04%, Virginia’s total nonfarm payroll is still growing faster than at any point in 2016.

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.