



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 23

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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

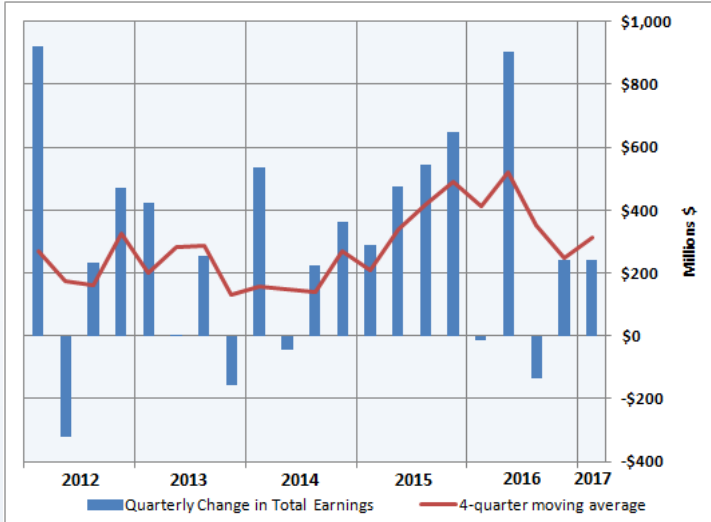
- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2017 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2016.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$240 million to \$29.55 billion in Q1 2017. Over the past year, total HC&SA earnings in Virginia have grown by \$1.25 billion.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$203 million to \$26.89 billion in Q1 2017. This represents a three-month annualized growth rate of 3.1%.
- ◆ Virginia's HC&SA compensation per employee increased by \$785 to \$61,552 in Q1 2017, which represents a three-month annualized growth rate of 5.3%. During the past four quarters, Virginia's HC&SA compensation per employee has grown by \$1,224.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2016	Q3 2016	Q4 2016	Q1 2017	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$310,365	\$318,319	\$321,122	\$325,175	4.8%	4.4%	5.1%
National	\$11,303,470	\$11,612,916	\$11,607,091	\$11,731,555	3.8%	2.1%	4.4%
Health Care & Social Assistance Earnings							
Virginia	\$28,297	\$29,066	\$29,306	\$29,546	4.4%	3.3%	3.3%
National	\$1,251,190	\$1,298,917	\$1,296,881	\$1,309,561	4.7%	1.6%	4.0%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$25,782	\$26,484	\$26,689	\$26,892	4.3%	3.1%	3.1%
National	\$1,119,635	\$1,163,885	\$1,160,007	\$1,170,775	4.6%	1.2%	3.8%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$60,328	\$60,498	\$60,767	\$61,552	2.0%	3.5%	5.3%
National	\$59,426	\$60,947	\$60,154	\$60,698	2.1%	-0.8%	3.7%

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.



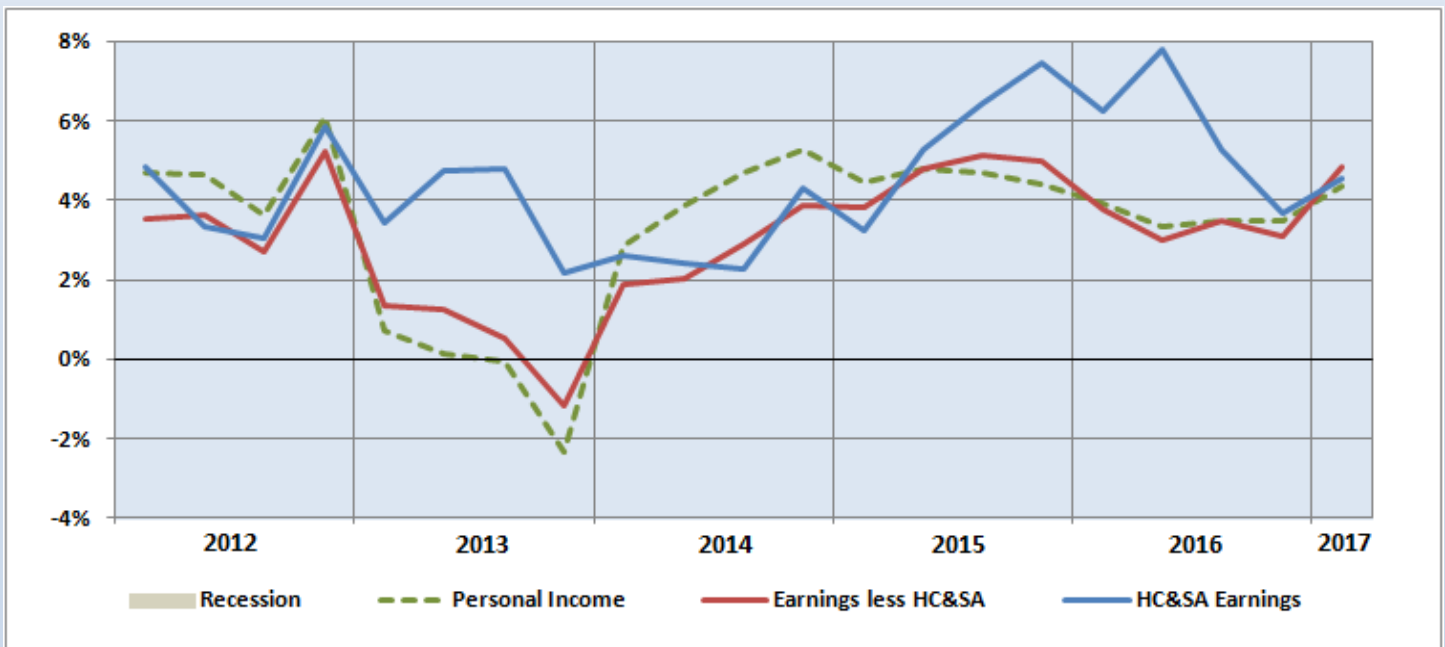
According to data released on Tuesday, June 27, 2017 by the U.S. Bureau of Economic Analysis, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$240 million to \$29.55 billion in Q1 2017. This quarterly gain represents a three-month annualized growth rate of 3.3%. Not only was this quarterly growth rate in total earnings below the national HC&SA average of 4.0% in Q1 2017, it was also below Virginia's 12-month HC&SA average of 4.4%.

Over the past four quarters, total earnings in Virginia's HC&SA sector has increased by \$1.25 billion, which represents a 12-month growth rate of 4.4%. However, the growth in total earnings in Virginia's HC&SA sector has lagged behind the rest of the state's economy. In particular, total earnings in Virginia's economy have grown by 4.8% over the past 12 months.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia's HC&SA earnings experienced a significant jump from 3.68% to 4.56% in Q1 2017. Despite this quarter's significant uptick, the four-quarter moving average of the growth rate in Virginia's HC&SA earnings has still not completely reversed its recent downward trend. For instance, this moving average was at 6.26% one year ago and had reached a high of 7.79% in Q2 2016. The four-quarter moving average of the growth in Virginia's non-HC&SA earnings also increased significantly in Q1 2017 from 3.09% to 4.81%. This represents the highest four-quarter moving average for Virginia's non-HC&SA earnings since Q4 2015. As for Virginia's personal income, the four-quarter moving average of its growth rate jumped up from 3.48% to 4.36% in Q1 2017, thereby reaching its highest value since Q4 2015 as well.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

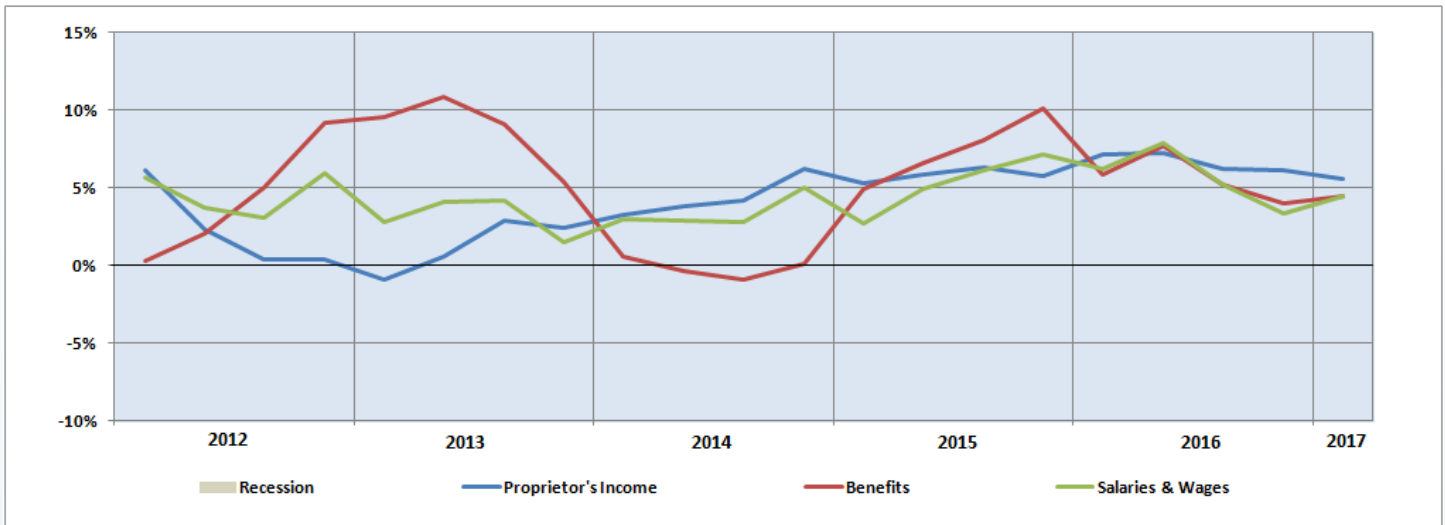


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

For the third consecutive quarter, four-quarter moving average of the growth rate in HC&SA proprietor's income declined. In Q1 2017, this moving average fell from 6.14% to 5.53%, thereby reaching its lowest level in two years. Regardless, HC&SA proprietor's income continues to grow at a faster long-term rate than the other types of HC&SA earnings in the states. For example, the four-quarter moving average of the growth rate in HC&SA salaries & wages is currently at 4.47%. Although this is well above the 3.34% growth rate in Q4 2016, it still remains below the 6.26% growth rate from one year ago. As for Virginia's HC&SA employee benefits, its four-quarter growth rate moving average also increased in Q1 2017 from 4.03% to 4.51%.

Annual Growth by Earnings Type

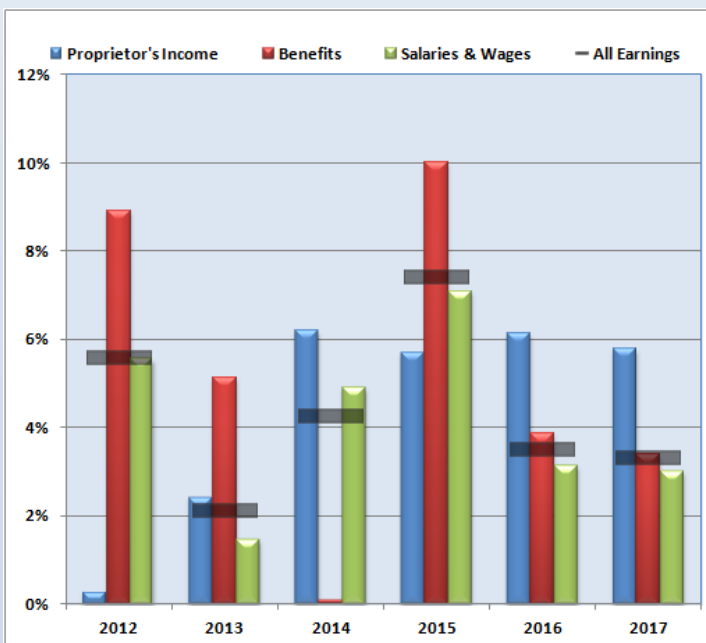


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In 2016, total HC&SA earnings in Virginia grew by 3.5%, which represents the lowest annual growth rate for the state's HC&SA sector since 2013. However, the growth rate in the state's total HC&SA earnings fell even further in Q1 2017 to a 3.3% annualized rate. If this trend continues throughout the rest of the year, it would suggest continued downward pressure on earnings in this sector.

Every major type of HC&SA earnings experienced a decline in its growth rate in Q1 2017. Although HC&SA proprietor's income continues to have the highest earnings growth rate in the state, it fell from 6.1% in 2016 to a 5.8% annualized rate in Q1 2017. Meanwhile, HC&SA employee benefits saw growth decline from 3.9% in 2016 to an annualized rate of just 3.4% in Q1 2017. As for HC&SA salaries & wages, its annualized growth rate also declined, falling from 3.1% in 2016 to 3.0% in Q1 2017.

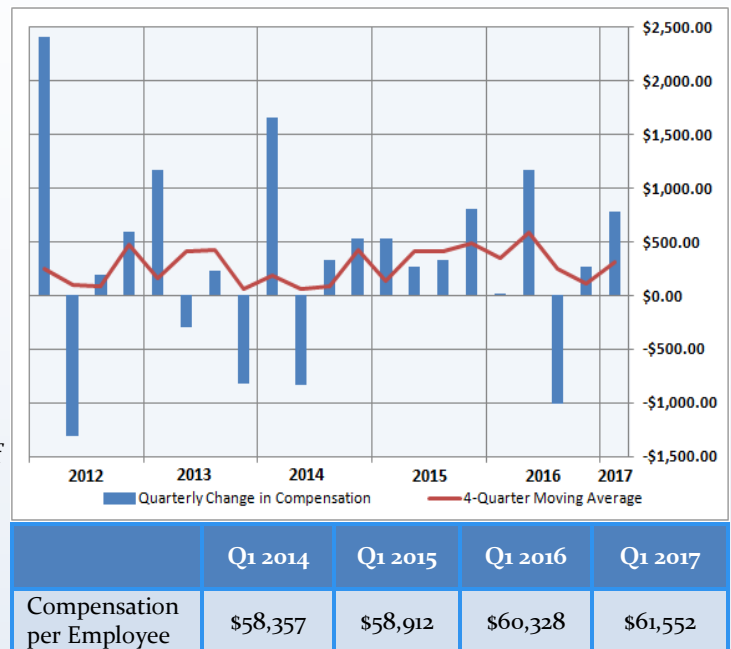
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,654	9.0%
Benefits	\$4,590	15.5%
Salaries & Wages	\$22,302	75.5%
Total	\$29,546	100%

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 \$61,552 (annualized) in Q1 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.

In Q1 2017, Virginia's total HC&SA compensation per employee increased by \$785, which represents a three-month annualized growth rate of 5.3%. This quarterly gain suggests that growth in Virginia's total HC&SA compensation per employee may be accelerating. For example, this quarterly growth rate is more than double the 12-month growth rate of 2.0% in Virginia's total HC&SA compensation per employee. In addition, this quarter's result is above the national average. In Q1 2017, total nationwide HC&SA compensation per employee only increased by \$544 to \$60,154.

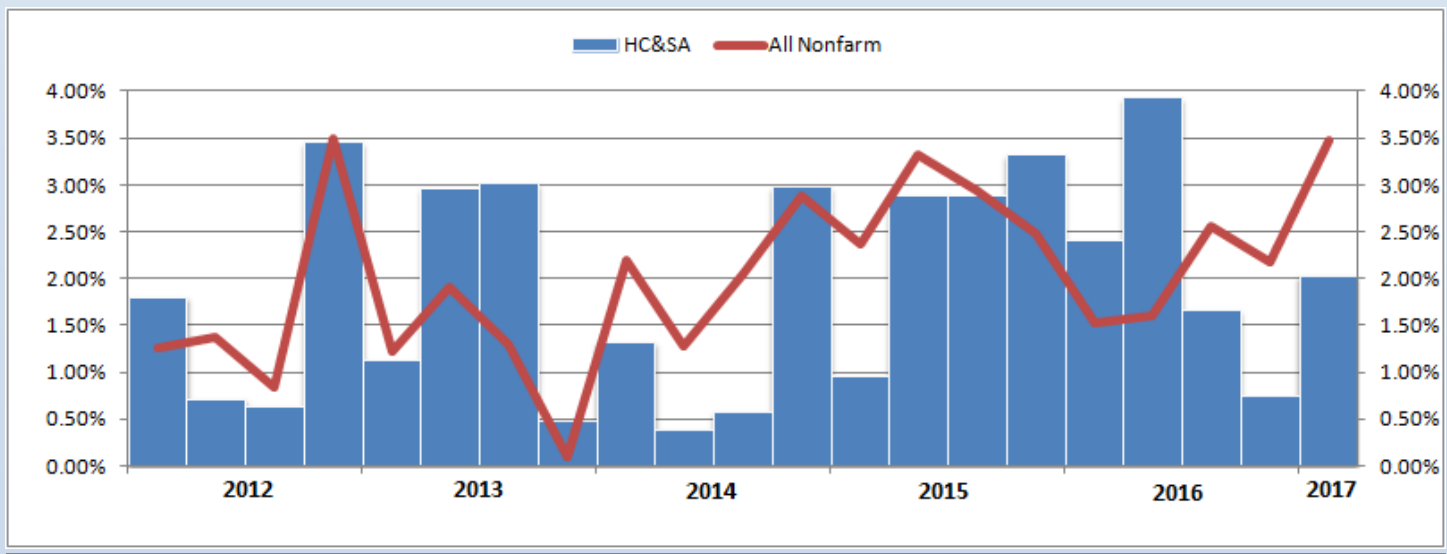
Figure 5: Quarterly Change in Employee Compensation from Virginia's Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

In Q4 2016, the year-over-year growth rate of Virginia's total HC&SA compensation per employee declined to 0.74%, which represented its lowest value in more than two years. However, this growth rate rebounded strongly in Q1 2017 to 2.03%. At its current level, the year-over-year growth rate of Virginia's total HC&SA compensation per employee reached its highest value since Q2 2016. Regardless, it still remains well below the levels attained at the end of 2015 and the beginning of 2016. As for Virginia's total nonfarm payroll compensation per employee, this year-over-year growth rate continued its upward resurgence in Q1 2017 from 2.18% to 3.47%. The year-over-year growth rate of Virginia's total nonfarm payroll compensation per employee has been trending upward for the past five quarters and has just reached its highest level since Q4 2012.

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.
