



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
Regional Economic Accounts
Series 3: Income & Compensation

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Highlights

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

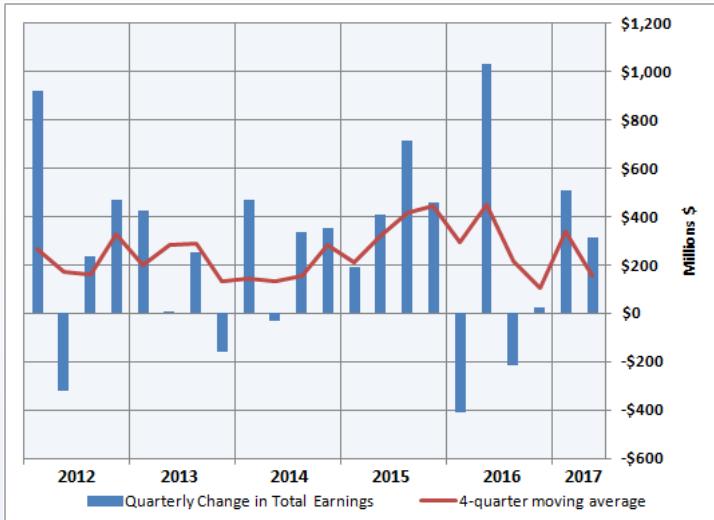
- ◆ In addition to the new income and compensation estimates for Quarter 2 (Q2) 2017 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2014 to Q1 2017.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$312 million to \$29.42 billion in Q2 2017. So far this year, total HC&SA earnings in the state have grown by \$822 million.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$295 million to \$26.85 billion in Q2 2017. Over the past six months, total HC&SA employee compensation has grown at a 6.0% annualized rate.
- ◆ Despite the increase in total HC&SA employee compensation, HC&SA compensation per employee in the state declined by \$15 to \$60,756 in Q2 2017. Regardless, Virginia's HC&SA compensation per employee has grown by \$1,373 during the first half of 2017.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q2 2016	Q4 2016	Q1 2017	Q2 2017	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$308,535	\$311,385	\$315,639	\$318,002	3.1%	4.3%	3.0%
National	\$1,304,749	\$1,351,515	\$1,537,958	\$1,637,593	2.9%	5.1%	3.5%
Health Care & Social Assistance Earnings							
Virginia	\$28,797	\$28,602	\$29,112	\$29,424	2.2%	5.8%	4.4%
National	\$1,265,807	\$1,277,247	\$1,299,618	\$1,313,233	3.7%	5.7%	4.3%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$26,340	\$26,081	\$26,551	\$26,846	1.9%	6.0%	4.5%
National	\$1,138,483	\$1,146,587	\$1,166,919	\$1,179,662	3.6%	5.9%	4.4%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$60,799	\$59,383	\$60,771	\$60,756	-0.1%	4.7%	-0.1%
National	\$59,908	\$59,458	\$60,498	\$60,685	1.3%	4.2%	1.2%

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.



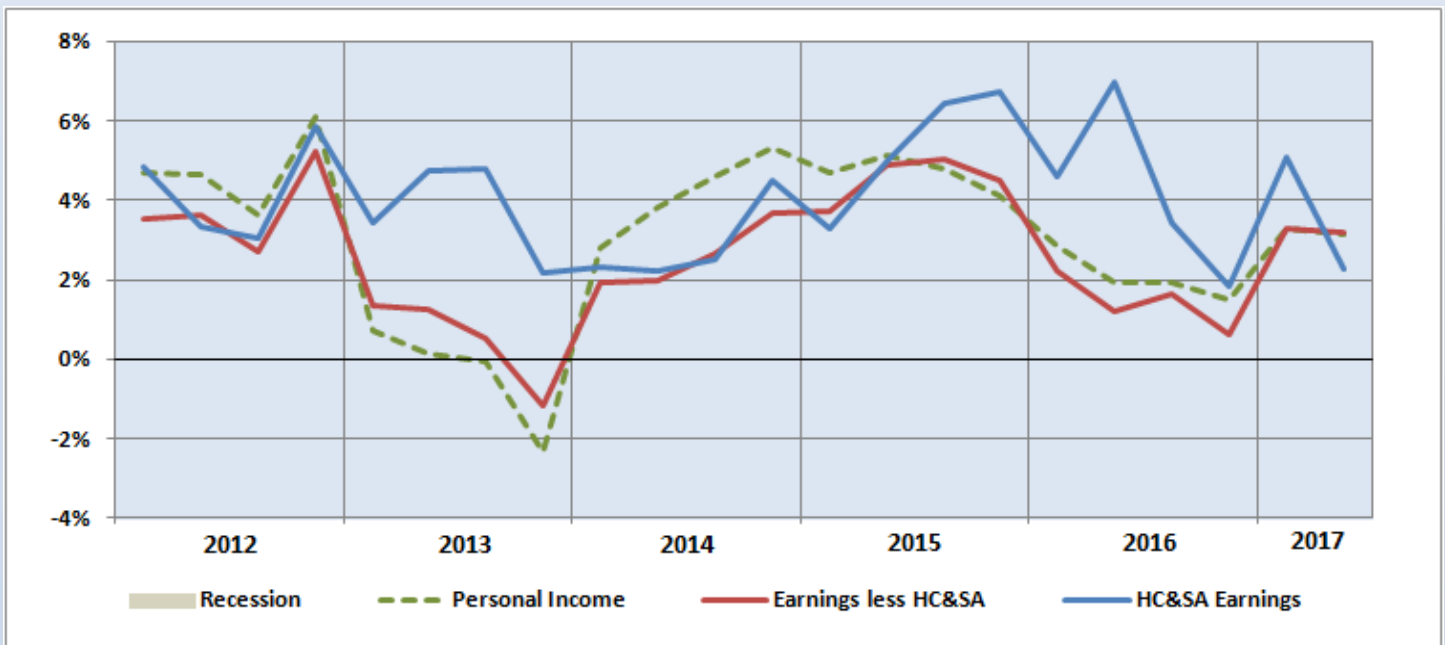
According to data released on Tuesday, September 26, 2017 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$312 million to \$29.42 billion in Q2 2017. This quarterly gain represents a three-month annualized growth rate of 4.4%. This gain is also in line with the overall national average for the HC&SA sector. In Q2 2017, total HC&SA earnings across the country grew at a 4.3% annualized rate.

During the first half of 2017, total earnings in Virginia’s HC&SA sector have grown by \$822 million, which represents a six-month annualized growth rate of 5.8%. This growth rate in Virginia’s total HC&SA earnings is also in line with that of the growth rate of total earnings in the national HC&SA sector, which have grown at a 5.7% annualized rate over the past two quarters.

Virginia HC&SA Earnings Growth Rate

Despite the growth in Virginia’s total HC&SA earnings in Q2 2017, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings experienced a significant decline during the quarter from 5.08% to 2.25%. With this decline, the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings is continuing the downward trend that began at the beginning of 2016, and it is now quickly approaching the six-year low of 1.84% that was reached in Q4 2016. As for Virginia’s non-HC&SA earnings and personal income, their four-quarter growth rate moving averages also fell in Q2 2017, although these changes were far less dramatic. The four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings fell from 3.29% to 3.18% in Q2 2017, while the four-quarter moving average of the growth rate in Virginia’s personal income experienced a decline from 3.28% to 3.13% during the quarter.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

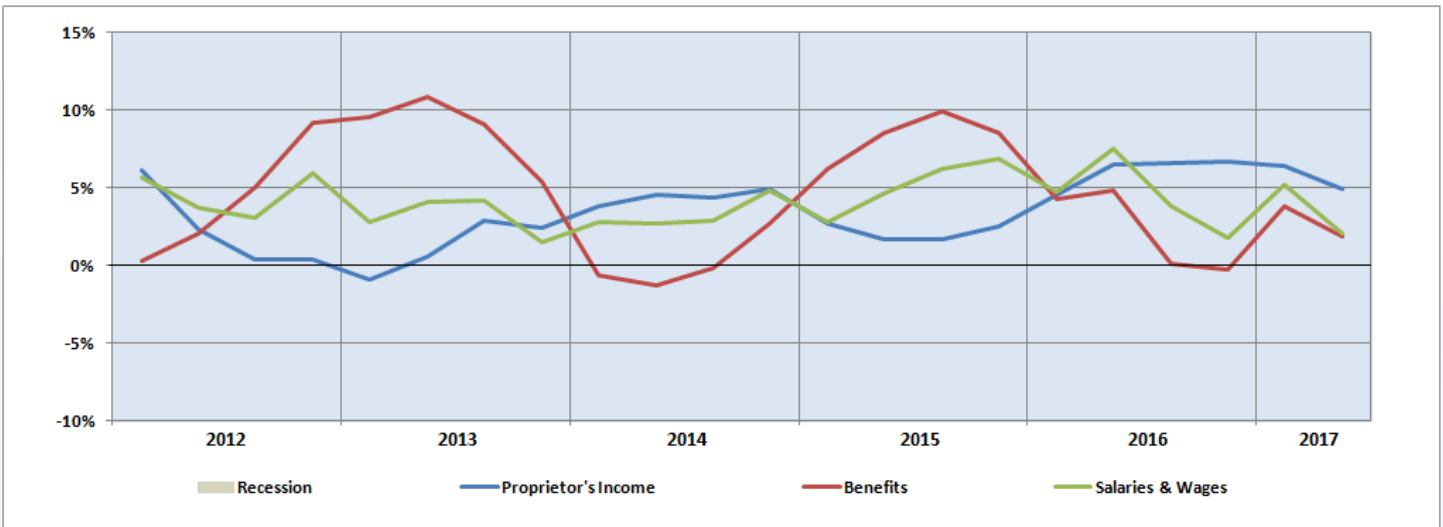


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

For the first time since Q1 2016, the four-quarter moving average of the growth rate of HC&SA proprietor’s income has fallen below 6%. In Q2 2017, the four-quarter moving average of the growth of HC&SA proprietor’s income fell from 6.36% to 4.93%. Regardless, proprietor’s income remains the fastest-growing HC&SA earning type in the state over the past year because HC&SA employee compensation growth also fell precipitously during the quarter. The four-quarter moving average of the growth rate in HC&SA employee salaries & wages was cut by more than half from 5.23% to 2.05% in Q2 2017. As for HC&SA employee benefits, its four-quarter growth rate moving average also fell by more than 50% during the quarter from 3.78% to 1.84%.

Annual Growth by Earnings Type

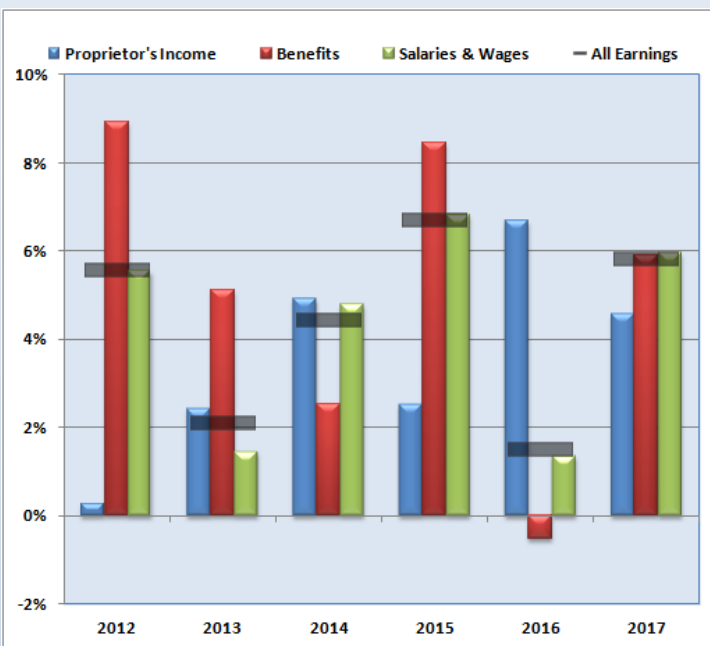


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

The four-quarter moving average of the growth rate in HC&SA proprietor’s income currently exceeds that of both forms of HC&SA employee compensation. However, the short-term earnings growth in HC&SA employee compensation has been more impressive. In 2016, HC&SA employee salaries & wages only grew by 1.4%, while growth in HC&SA employee benefits actually declined during the year by 0.5%. Both of these growth rates represented multi-year lows. However, the growth in HC&SA employee compensation has experienced a dramatic turnaround so far in 2017. So far in 2017, HC&SA employee salaries & wages have grown at a 6.0% annualized rate, while the annualized growth rate in HC&SA employee benefits has been almost as impressive at 5.9%. As for HC&SA proprietor’s income, its annualized growth rate has slowed down somewhat so far in 2017. This year, HC&SA proprietor’s income has grown at a 4.6% annualized rate.

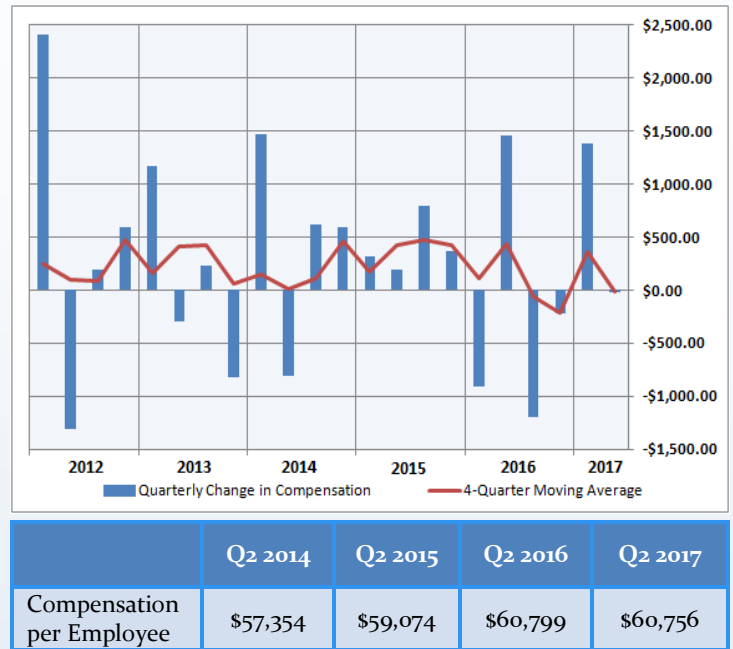
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,578	8.8%
Benefits	\$4,532	15.4%
Salaries & Wages	\$22,314	75.8%
Total	\$29,424	100%

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 \$60,756 (annualized) in Q2 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.

Despite the growth in Virginia’s total HC&SA earnings in Q2 2017, total HC&SA compensation per employee actually fell slightly during the quarter by \$15. This decline translates into a three-month annualized growth rate of -0.1%. With this decline, Virginia’s total HC&SA compensation per employee has now fallen in three of the past four quarters. During this time span, total HC&SA compensation per employee in the state has fallen by \$43, which also represents a one-year growth rate of -0.1%. At the same time, HC&SA compensation in the national HC&SA sector has grown by 1.3%.

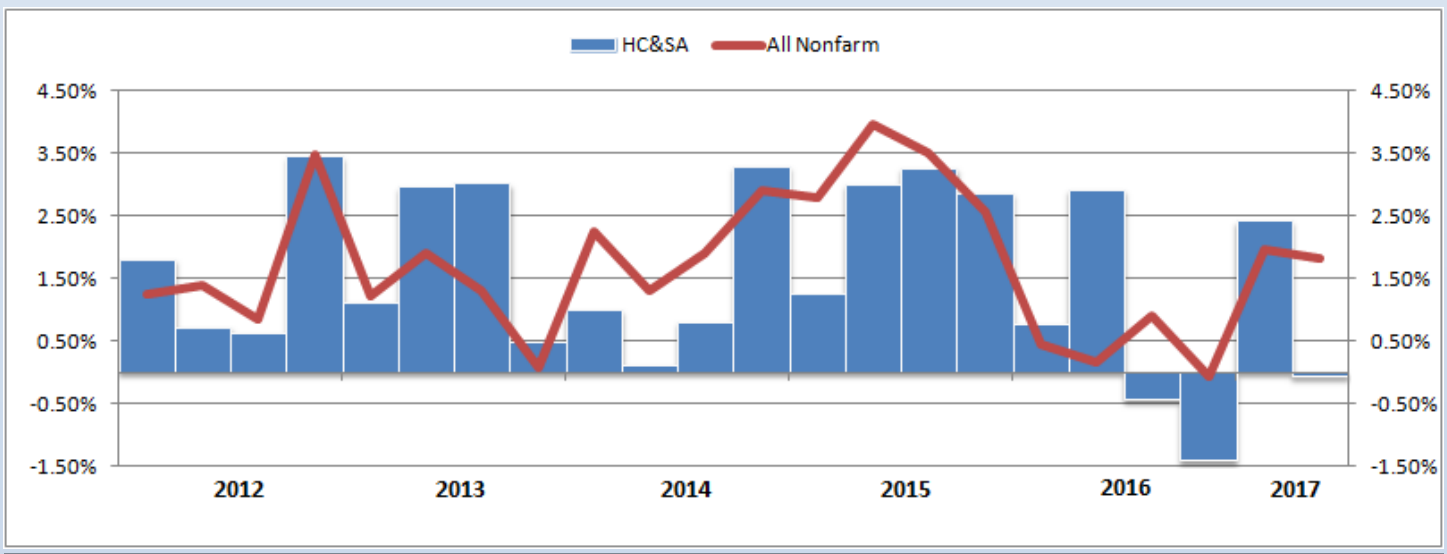
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

Over the past year, Virginia’s HC&SA sector has struggled to produce any long-term growth in its total per-employee compensation. In Q1 2017, the year-over-year growth rate in Virginia’s total HC&SA compensation per employee reached 2.42%, thereby reversing two consecutive quarters of negative year-over-year growth and reaching its highest level since Q2 2016. However, this growth rate declined to -0.07% in Q2 2017. The year-over-year growth rate in Virginia’s total nonfarm payroll per employee also fell in Q2 2017, but this decline was far more modest relative to that of Virginia’s HC&SA compensation per employee. During the quarter, the year-over-year growth rate in Virginia’s total nonfarm payroll per employee dipped slightly from 1.96% to 1.83%.

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.