



# Virginia Healthcare Workforce Briefs

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

Series 3, Issue 35

June 2020

## Highlights

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- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2020 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1-Q4 2019.
- ◆ As the economic effects of the coronavirus pandemic began to be felt near the end of Q1 2020, Virginia's Health Care & Social Assistance (HC&SA) sector saw total earnings fall by \$315 million to \$32.47 billion. This loss represents a three-month annualized growth rate of -3.8%.
- ◆ Total employee compensation in Virginia's HC&SA sector declined by \$230 million to \$29.6 billion in Q1 2020. This loss in HC&SA employee compensation translates into a -3.0% annualized growth rate.
- ◆ Total HC&SA compensation per employee in Virginia declined by \$75 during the quarter. With this loss, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$64,328 per year.

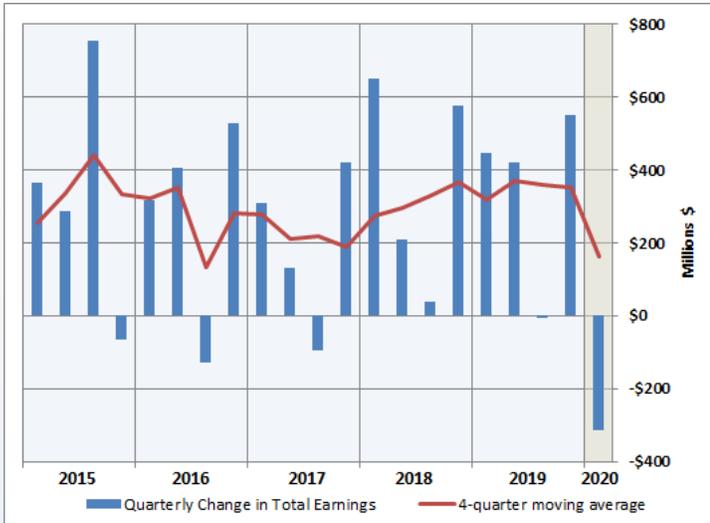
*The calendar year is the basis for data in this series. See Page 5 for additional information on this series.*

## Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2019	Q3 2019	Q4 2019	Q1 2020	Annual	6-Month	Quarterly
<b>Earnings (Personal income less rents, interest, dividends and government payments)</b>							
<b>Virginia</b>	\$346,370	\$353,661	\$357,232	\$359,054	3.7%	3.1%	2.1%
<b>National</b>	\$12,923,022	\$13,124,867	\$13,270,515	\$13,291,807	2.9%	2.6%	0.6%
<b>Health Care &amp; Social Assistance Earnings</b>							
<b>Virginia</b>	\$31,818	\$32,230	\$32,781	\$32,466	2.0%	1.5%	-3.8%
<b>National</b>	\$1,427,164	\$1,457,572	\$1,475,832	\$1,465,873	2.7%	1.1%	-2.7%
<b>Health Care &amp; Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages &amp; benefits)</b>							
<b>Virginia</b>	\$29,005	\$29,368	\$29,870	\$29,640	2.2%	1.9%	-3.0%
<b>National</b>	\$1,288,358	\$1,316,313	\$1,332,163	\$1,326,394	3.0%	1.5%	-1.7%
<b>Health Care &amp; Social Assistance Compensation per Employee (HWDC Estimate)</b>							
<b>Virginia</b>	\$63,906	\$63,811	\$64,403	\$64,328	0.7%	1.6%	-0.5%
<b>National</b>	\$63,881	\$64,334	\$64,434	\$64,229	0.5%	-0.3%	-1.3%

## 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.**

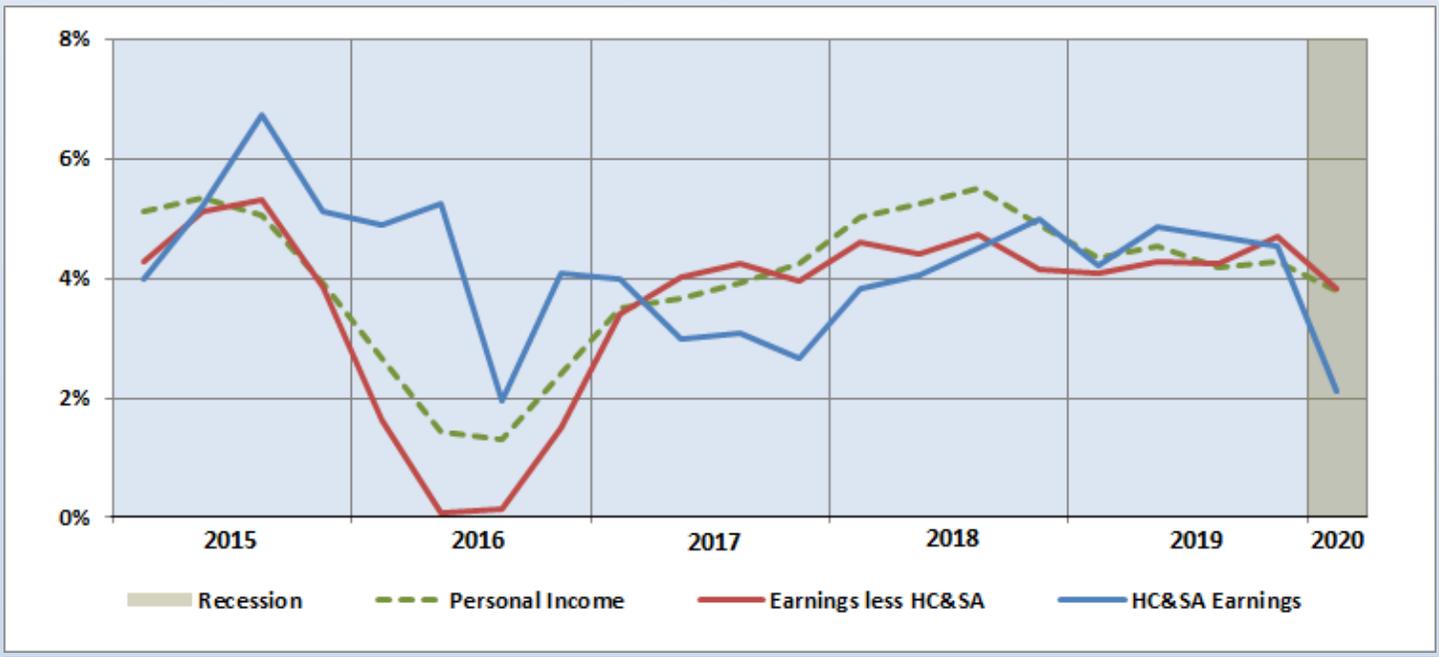


According to the preliminary data released on Tuesday, June 23, 2020 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector were negatively affected by the economic consequences of the coronavirus pandemic as the government of Virginia began to impose lockdown measures across the state toward the end of the quarter. In Q1 2020, total earnings in Virginia’s HC&SA sector fell by \$315 million to \$32.47 billion. This loss represents a three-month annualized growth rate of -3.8%. Although this quarter’s result incorporates only the preliminary effects of the coronavirus, which began to spread extensively in Virginia in March, this loss represents the worst quarterly decline in total HC&SA earnings in more than two decades. This loss reduced the four-quarter moving average of the change in total HC&SA earnings by more than half to \$162 million in Q1 2020.

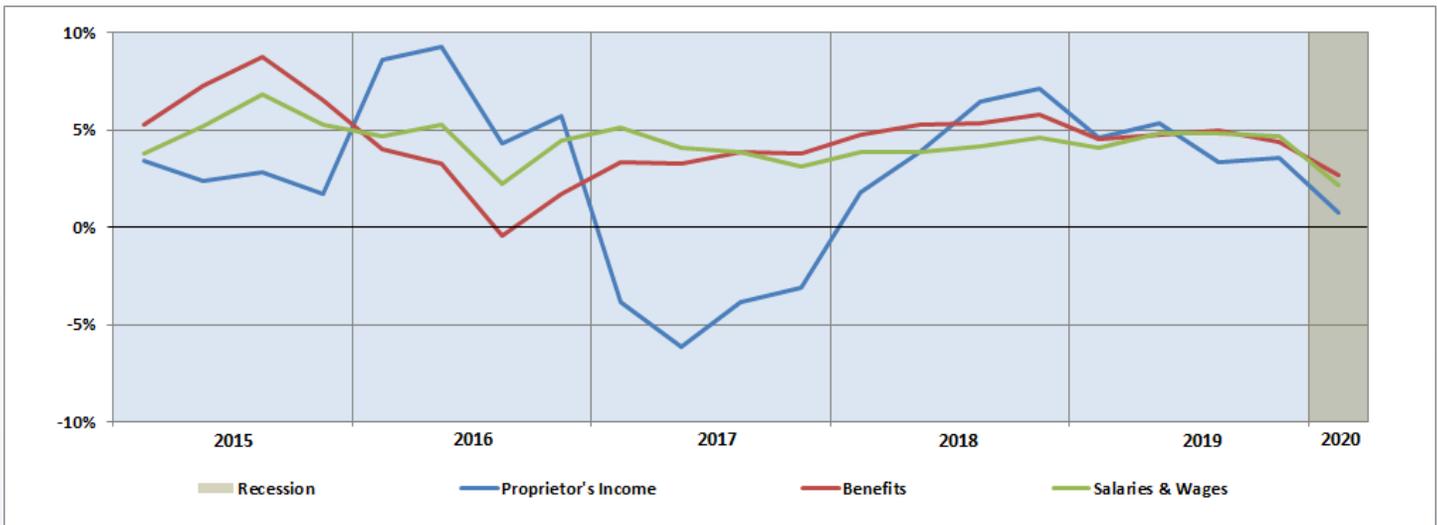
### Virginia HC&SA Earnings Growth Rate

After remaining within a narrow range of between 4% and 5% for all of 2019, the four-quarter growth rate moving averages for Virginia’s HC&SA earnings, non-HC&SA earnings, and personal income all fell below 4% in Q1 2020. However, this decline was far more pronounced with respect to the four-quarter growth rate moving average for Virginia’s HC&SA earnings. In Q1 2020, this moving average fell by more than half from 4.53% to 2.13%. At this level, the four-quarter moving average of the growth rate for Virginia’s HC&SA earnings has reached its lowest value in three-and-a-half years. The four-quarter growth rate moving average for Virginia’s non-HC&SA earnings experienced a more modest decline from 4.69% to 3.83%. The same was also true for the state’s personal income, which saw its four-quarter growth rate moving average fall from 4.26% to 3.80% in Q1 2020.

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



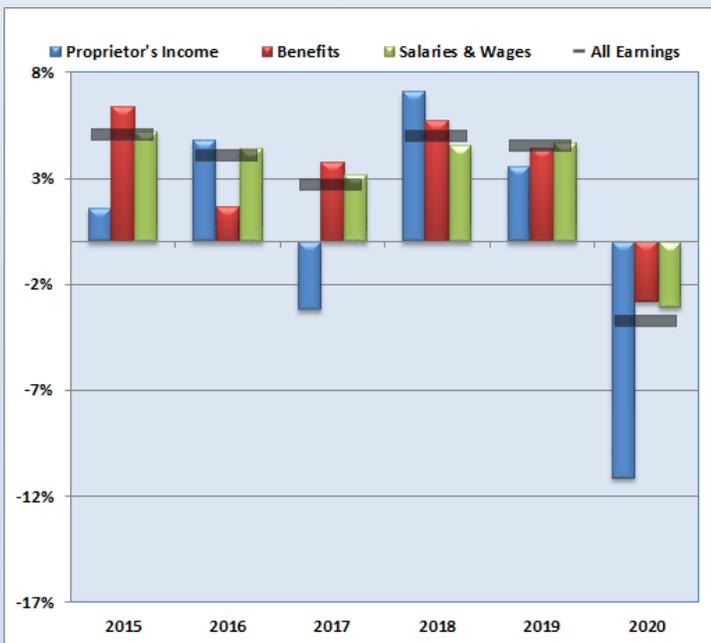
### Virginia HC&SA Earnings Growth Rate by Earnings Type



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

HC&SA proprietor's income and both forms of employee compensation experienced considerable declines in their respective four-quarter growth rate moving averages in Q1 2020. The most significant decline came from HC&SA proprietor's income. In Q1 2020, the four-quarter moving average of the earnings growth rate for HC&SA proprietor's income fell by 80% from 3.59% to 0.73%, thereby reaching its lowest value in more than two years. Although the decline in growth for HC&SA employee compensation was less dramatic, it was still rather considerable. HC&SA employee salaries & wages saw their four-quarter growth rate moving average fall from 4.67% to 2.19%, which represents its lowest value in more than six years. As for HC&SA employee benefits, its comparable moving average fell from 4.42% to 2.67% during the quarter.

### Annual Growth by Earnings Type



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

In 2019, both forms of HC&SA employee compensation grew at faster rates than proprietor's income. Whereas HC&SA employee salaries & wages grew by 4.6% and employee benefits increased by 4.4% in 2019, HC&SA proprietor's income grew by 3.6% during the year. This trend continued into Q1 2020, although all forms of HC&SA earnings experienced a decline in growth during the quarter. The decline in HC&SA proprietor's income was particularly severe. In Q1 2020, HC&SA proprietor's income declined at a 11.2% annualized rate. Meanwhile, HC&SA employee benefits experienced a three-month annualized earnings growth rate of -2.8% in Q1 2020. At the same time, HC&SA employee salaries & wages fell at a 3.1% annualized rate during the quarter. If this present trend continues throughout the rest of the year, it would lead to the lowest annual growth rates for HC&SA salaries & wages and HC&SA proprietor's income in more than one decade.

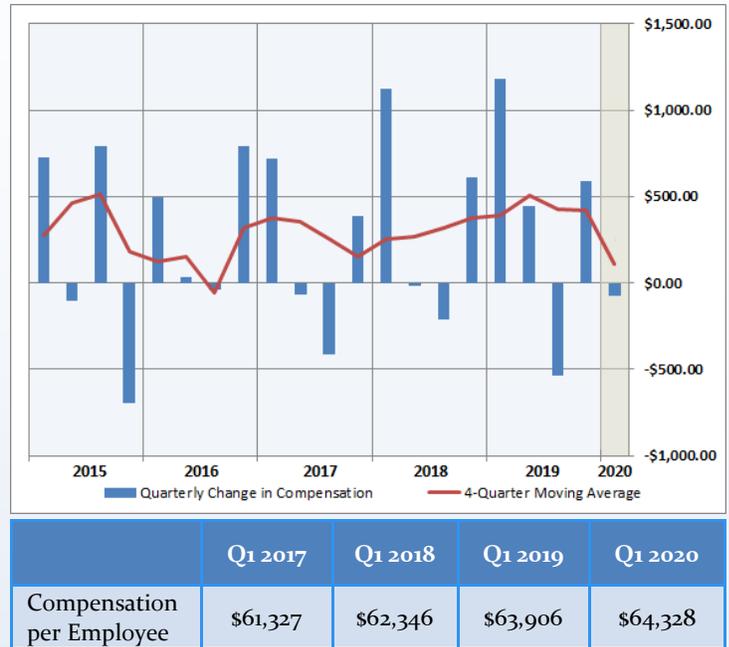
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,826	8.7%
Benefits	\$5,028	15.5%
Salaries & Wages	\$24,612	75.8%
<b>Total</b>	<b>\$32,466</b>	<b>100%</b>

### 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 \$64,328 (annualized) in Q1 2020. Note that 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 2020, total HC&SA compensation per employee in Virginia fell for the second time in the past three quarters after declining by \$75, a loss that represents a three-month annualized earnings growth rate of -0.5%. Despite this loss, total HC&SA compensation per employee in the state did better than the overall national average. Across the country, total HC&SA compensation per employee fell at a 1.3% annualized rate during the quarter. Long-term earnings growth in total HC&SA compensation per employee in Virginia remains stronger thanks to its current 12-month growth rate of 0.7%.

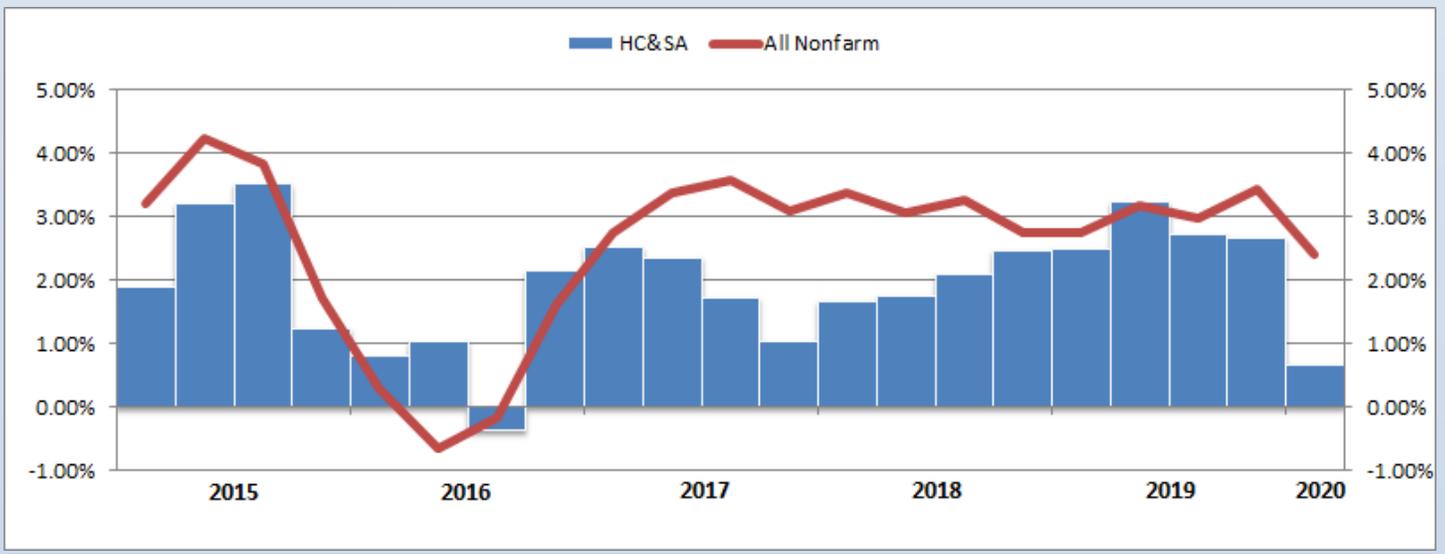
**Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.**



### Compensation per Employee Growth Rate

The year-over-year growth rates of both Virginia’s total HC&SA compensation per employee and the state’s total nonfarm payroll compensation per employee fell in Q1 2020. The larger year-over-year decline occurred in Virginia’s HC&SA sector. The year-over-year growth rate in total HC&SA compensation per employee in Virginia fell by three-quarters in Q1 2020 from 2.67% to 0.66%. The decline in the state’s total nonfarm payroll compensation per employee was not quite as dramatic. In Q1 2020, the year-over-year growth rate in Virginia’s total nonfarm payroll compensation per employee fell by nearly one-third from 3.44% to 2.40%. For both total HC&SA compensation per employee and total nonfarm payroll compensation per employee, their current year-over-year growth rates have reached their lowest values since 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.

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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/  
PublicResources/HealthcareWorkforceDataCenter/](http://www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/).

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)

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## About the Data

Data used in creating this report is from the U.S. 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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