



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 15

June 2015

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Highlights

- ◆ In addition to the new income and compensation estimates for Q1 2015 from the Bureau of Economic Analysis (BEA), these results also include revised estimates for all four quarters of 2014.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector grew by \$423 million to \$26.94 billion in Q1 2015. Over the past 12 months, Virginia's HC&SA earnings have grown by 4.9%.
- ◆ Total employee compensation in Virginia's HC&SA sector grew by \$430 million to \$24.65 billion in Q1 2015. Employee compensation in Virginia's HC&SA sector has grown by 5.0% during the past twelve months.
- ◆ Virginia's HC&SA compensation per employee grew by \$895 during Q1 2015, an increase that was above the national average of \$828. This increase in Virginia's HC&SA compensation per employee represents a three-month annualized growth rate of 6.2%.

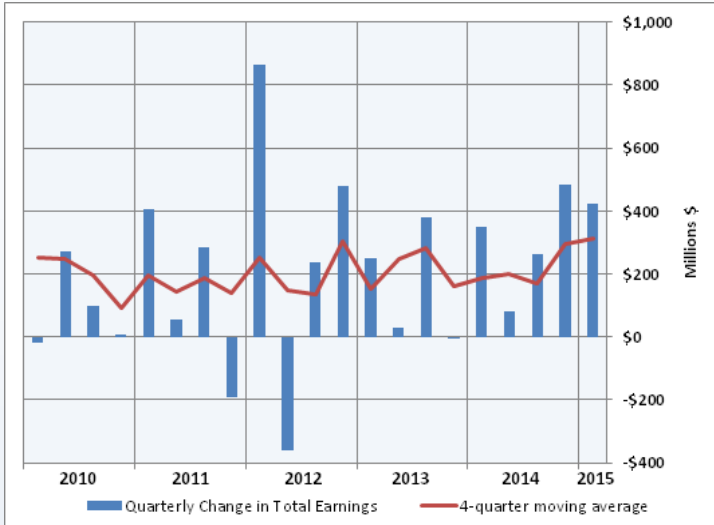
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2014	Q3 2014	Q4 2014	Q1 2015	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$290,199	\$293,367	\$296,755	\$299,212	3.1%	4.0%	3.4%
National	\$10,421,825	\$10,628,113	\$10,777,344	\$10,864,313	4.2%	4.5%	3.3%
Health Care & Social Assistance Earnings							
Virginia	\$25,694	\$26,038	\$26,521	\$26,944	4.9%	7.1%	6.5%
National	\$1,138,017	\$1,160,035	\$1,174,820	\$1,192,215	4.8%	5.6%	6.1%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$23,474	\$23,762	\$24,218	\$24,648	5.0%	7.6%	7.3%
National	\$1,016,216	\$1,035,165	\$1,048,455	\$1,066,224	4.9%	6.1%	7.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$58,080	\$58,112	\$58,882	\$59,777	2.9%	5.8%	6.2%
National	\$56,902	\$57,253	\$57,329	\$58,157	2.2%	3.2%	5.9%

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.



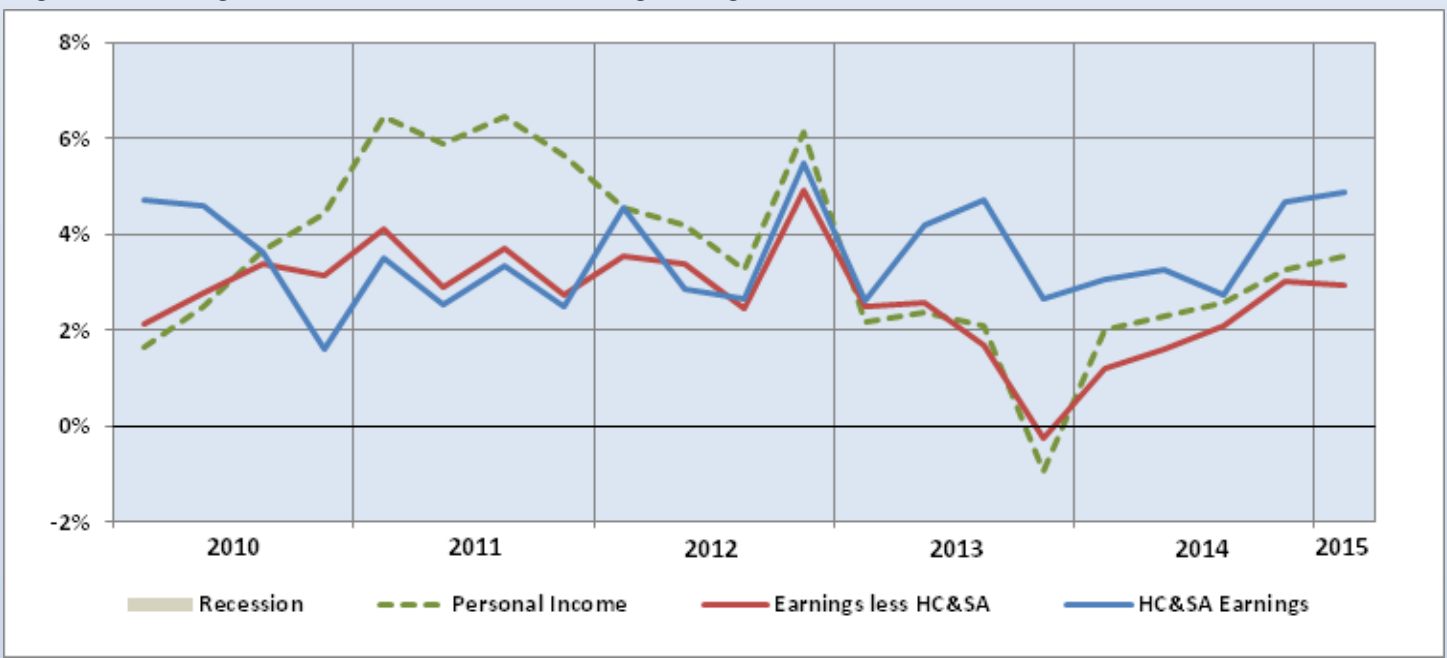
According to data released on Monday, June 22, 2015 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector added to its strong gains in Q4 2014 with an increase of \$423 million in Q1 2015, which represents a three-month annualized employment growth rate of 6.5%. Including this quarter’s results, total earnings in Virginia’s HC&SA sector have now grown for five consecutive quarters. This growth has resulted in nearly \$1.6 billion in additional earnings during these five quarters.

Thanks to these gains, total earnings in Virginia’s HC&SA sector has grown by 4.9% during the past 12 months, which is slightly above the national average. In addition, the four-quarter moving average of the level change in total HC&SA earnings increased to \$312.5 million, which represents its highest value since Q4 2008.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s HC&SA earnings increased from 4.66% in Q4 2014 to 4.89% in Q1 2015, which represents its highest value in more than two years. In addition, with this result, Virginia’s HC&SA earnings growth has now exceeded its non-HC&SA counterpart for eleven consecutive quarters. Meanwhile, the four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings declined from a two-year high of 3.04% in Q4 2014 to 2.94% in Q1 2015. Even with this quarter’s decline, however, the four-quarter moving average of the growth rate in Virginia’s non-HC&SA earnings has more than doubled from the year-ago period. As for personal income, its four-quarter growth rate moving average increased for the fifth consecutive quarter in Q1 2015 to 3.54%, which, just like Virginia’s HC&SA earnings, represents a value not seen in over two year.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

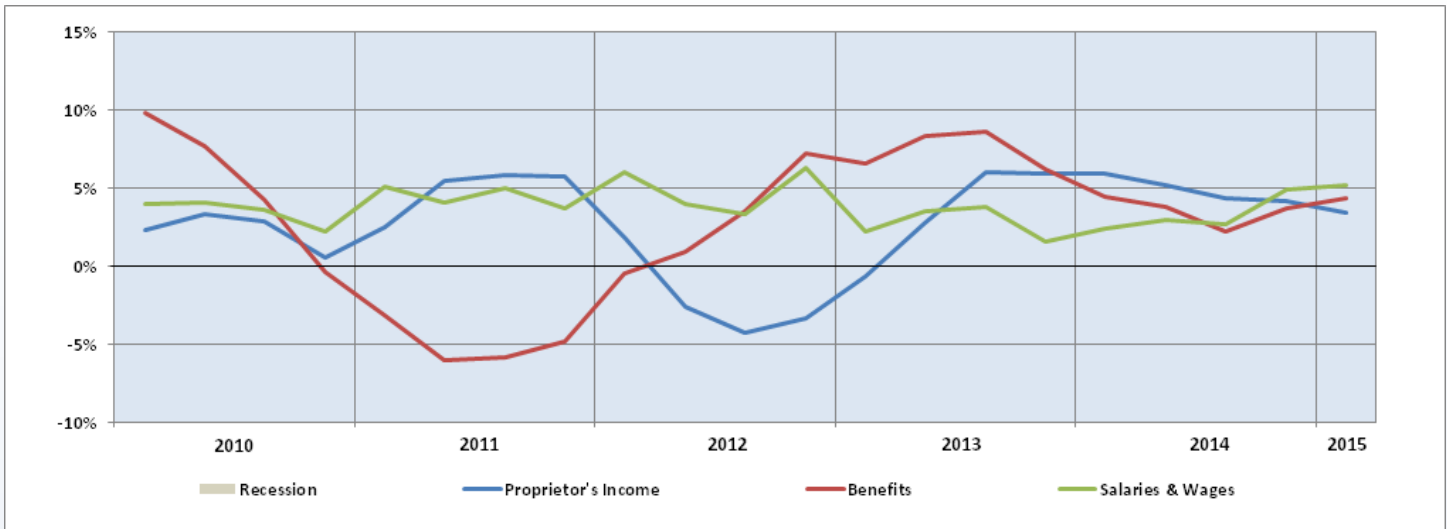


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Earnings growth in both forms of HC&SA employee compensation did well during the first quarter of 2015. The four-quarter moving average of the earnings growth rate in HC&SA employees’ salaries & wages increased again in Q1 2015 from 4.91% to 5.18%, its highest value since Q4 2012. At the same time, the four-quarter moving average of the earnings growth rate in HC&SA employees’ benefits also increased during the quarter from 3.72% to 4.34%. While HC&SA employees have seen earnings growth pick up in recent quarters, HC&SA proprietors have not done quite as well. In fact, the four-quarter moving average of the earnings growth rate in HC&SA proprietor’s income fell for the sixth consecutive quarter to just 3.46% in Q1 2015.

Annual Growth by Earnings Type

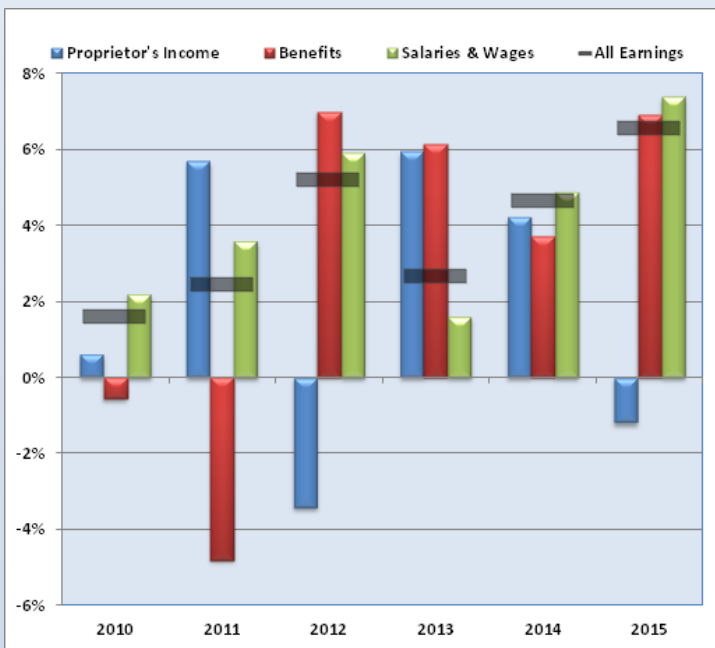


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

During the first quarter of 2015, total HC&SA earnings grew at a 6.5% annualize rate. If the HC&SA sector can maintain this growth for the rest of the year, it will represent the fastest-growing year for HC&SA earnings since 2008, when the sector saw its earnings grow by 8.4%.

This earnings growth has been driven by growth in employee compensation. Employee salaries & wages are currently growing at a 7.4% annualized rate, while employee benefits are not far behind with a 6.9% annualized growth rate. If present trends continue for the rest of the year, HC&SA employee salaries & wage will have grown at its fastest rate since 2007, and HC&SA employee benefits will have grown at its fastest rate since 2012. Meanwhile, Proprietor’s income has been the laggard in the group with its current annualized growth rate of -1.2%. Proprietor’s income has not experienced a negative annual growth rate since 2012.

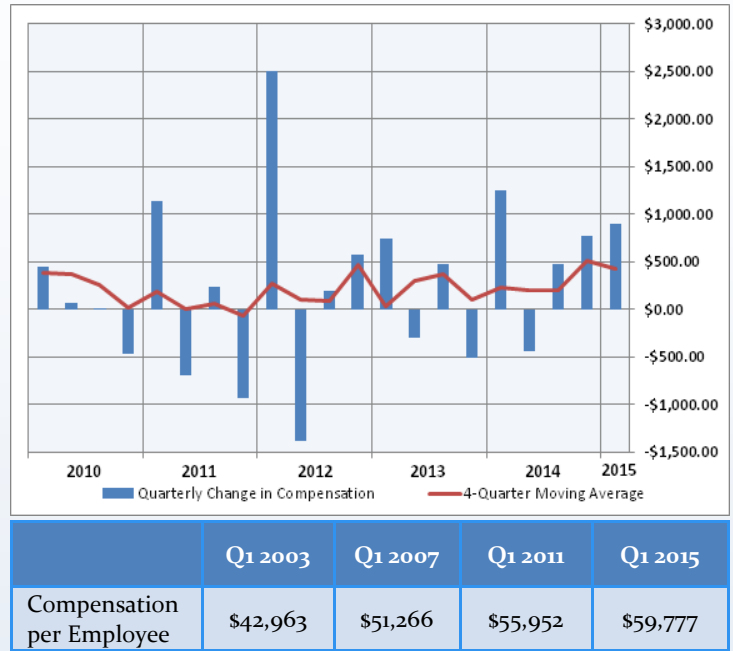
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,296	8.5%
Benefits	\$4,164	15.5%
Salaries & Wages	\$20,484	76.0%
Total	\$26,944	100%

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 \$59,777 (annualized) in Q1 2015. 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.

During Q1 2015, Virginia’s HC&SA compensation per employee increased by \$895.28, which represents a three-month annualized growth rate of 6.2%. In addition, Virginia’s HC&SA compensation per employee has grown by 2.9% over the past year, which is above the national average for the HC&SA sector of 2.2%. However, the four-quarter moving average of the level change in Virginia’s HC&SA compensation per employee still declined during the quarter from \$513.75 to \$424.22. Regardless, this value is still up by 85% relative to the year-ago period.

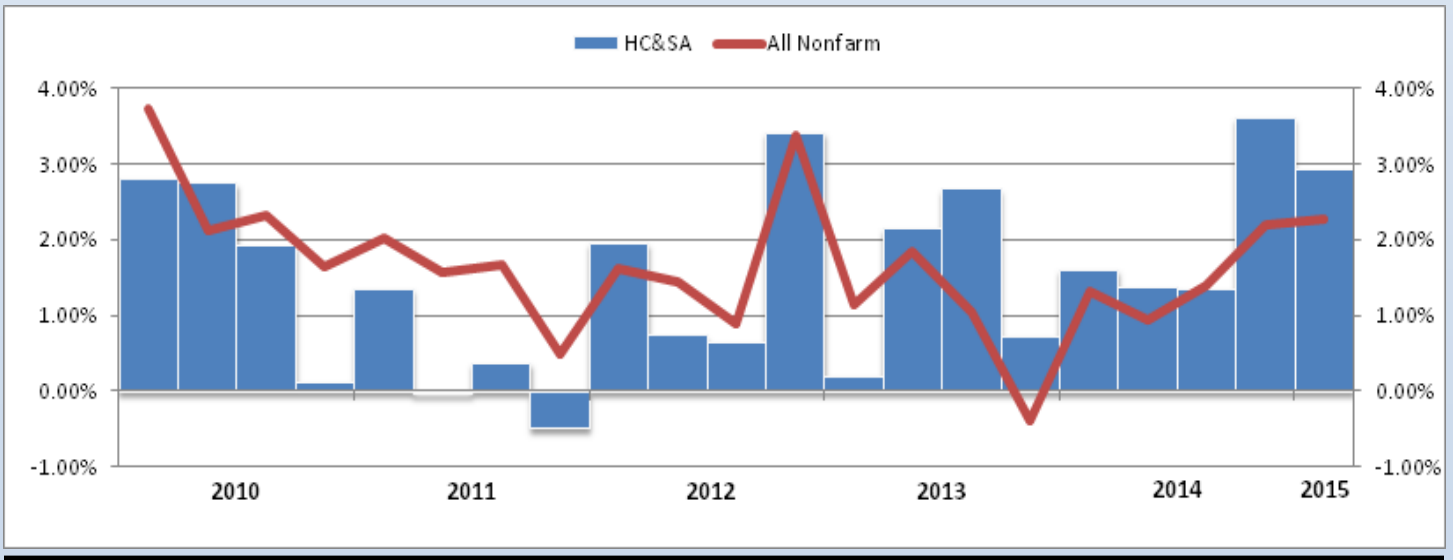
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

Over the past two quarters, the year-over-year growth rate in Virginia’s HC&SA compensation per employee has experienced a significant improvement. In Q4 2014, the year-over-year growth rate in Virginia’s HC&SA compensation per employee reached 3.62%, its highest value since 2007. This growth rate declined during Q1 2015 to 2.92%, although this still represents a significant improvement relative to its 1.61% growth rate in the year-ago period. Meanwhile, the year-over-year growth rate in Virginia’s total nonfarm payroll increased for the third consecutive quarter during Q1 2015 to 2.28%. This current growth rate represents the highest value for Virginia’s total nonfarm payroll since Q4 2012, when its year-over-year growth rate reached 3.38%.

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.