



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

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Inside this Brief:

HC&SA Earnings	2
Earnings Growth Rates	2
Share of Earnings	3
Historical Share	3
Growth by Earning Type	4
Compensation per Employee	4

Highlights

- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector rose by \$418 million in Q1 2012 to \$24.549 billion.
- ◆ This is the fifth consecutive quarter of earnings growth in the sector.
- ◆ Total compensation in the Virginia's HC&SA sector rose by \$377 million to \$22.147 billion in Q1 2012.
- ◆ Virginia's HC&SA sector accounts for 11.70% of private earnings in the state, 8.67% of all earnings, and 6.47% of the Commonwealth's personal income.
- ◆ Compensation per Employee rose by \$903 in Virginia's HC&SA sector, reaching \$56,997, following a decline of \$593 in Q4 2011. Compensation per employee rose \$1,377, or 2.5%, from Q1 2011 to Q1 2012.

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 2011	Q3 2011	Q4 2011	Q1 2012	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$274,122	\$277,991	\$280,661	\$283,004	3.2%	3.6%	3.4%
National	\$9,243,488	\$9,427,901	\$9,472,839	\$9,549,718	3.3%	2.6%	3.3%
Health Care & Social Assistance Earnings							
Virginia	\$23,251	\$24,108	\$24,131	\$24,549	5.6%	3.7%	7.1%
National	\$1,019,940	\$1,051,006	\$1,057,802	\$1,075,111	5.4%	4.6%	6.7%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$20,961	\$21,766	\$21,770	\$22,147	5.7%	3.5%	7.1%
National	\$900,702	\$929,018	\$934,859	\$949,999	5.5%	4.6%	6.6%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$55,619	\$56,687	\$56,094	\$56,997	2.5%	1.1%	6.6%
National	\$54,657	\$55,749	\$55,580	\$56,395	3.2%	2.3%	6.0%

Health Care & Social Assistance Earnings

Figure 1: Monthly Change in Total Earnings from Virginia's Health Care & Social Assistance Sector. Includes proprietor's income, salaries and wages, and benefits.



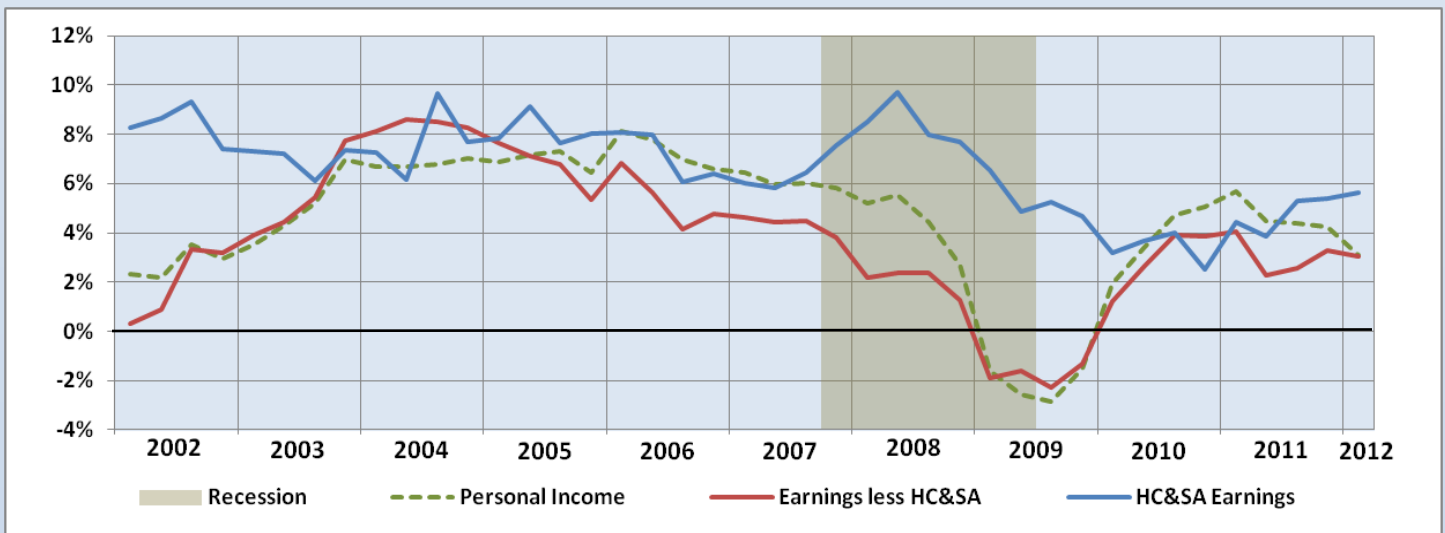
According to data released June 27, 2012 by the US Bureau of Economic Analysis, Virginia's HC&SA earnings rose by \$418 million from Q4 2011 to Q1 2012. This is the fifth straight quarter of earnings growth in the HC&SA industry following a \$4 million decline in Q4 2010. Virginia's HC&SA sector has only experienced two quarter-to-quarter declines in HC&SA earnings since 1999, both occurring in 2010. Quarterly growth occurred at an annualized rate of 7.1%, representing stronger growth than occurred in the 6-month (3.7%) and 12-month (5.6%) periods.

After declining through 2009 and 2010, the 4-quarter moving average for HC&SA earnings growth has begun to trend upward, indicating a faster rate of growth. Strong Q1 2012 growth in the US economy stalled in the second quarter, so it will be interesting to see if growth in the HC&SA sector continues to trend upward.

Virginia HC&SA Earnings Growth Strong Through the Recession

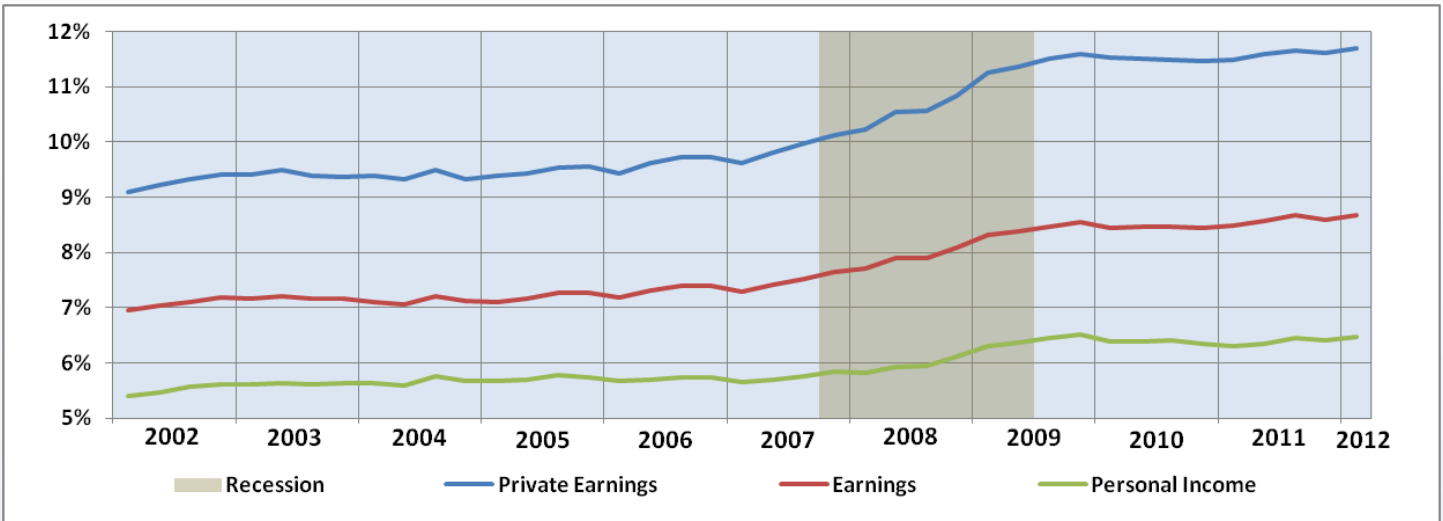
Virginia's HC&SA sector was an important source of earnings growth throughout the 2007-2009 recession, particularly as Virginia's personal incomes and non-HC&SA earnings declined near the end of the recession. However, the rate of earnings growth declined as the recession ended and the economy moved into recovery, roughly matching the growth rates of personal income and non-HC&SA earnings. In the past year, however, growth in the HC&SA sector has accelerated, with the 4-quarter moving average approaching 6% in Q1 2012. Meanwhile, growth of personal income and non-HC&SA earnings stalled somewhat, with a 4-quarter moving average of just over 3% in Q1 2012.

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



Share of Earnings

Figure 3: The Health Care and Social Assistance Sector's Share of Earnings and Income in Virginia



Virginia's HC&SA sector grabbed a larger share of Virginia's economy through the recession, accounting for 6.47% of all personal income (unearned income, including government transfers, and earned income) in the Commonwealth in Q1 2012, compared to 5.65% in Q4 2007 when the recession began. The HC&SA sector's growth in share of private earnings is most striking. The HC&SA sector accounted for 10.12% of private sector earnings in Virginia in Q4 2007. As of Q1 2012, it accounted for 11.70% of private sector earnings in the state.

Personal Income includes all income from all sources.

Earnings includes employee compensation and proprietors income. They do not include unearned income, such as non-business related interest, dividends, and rents, government payments, payments from pension funds, lawsuits, etc.

Private Earnings is all earnings less incomes from federal, state or local governments or the military. Private earnings include earnings from non-profits.

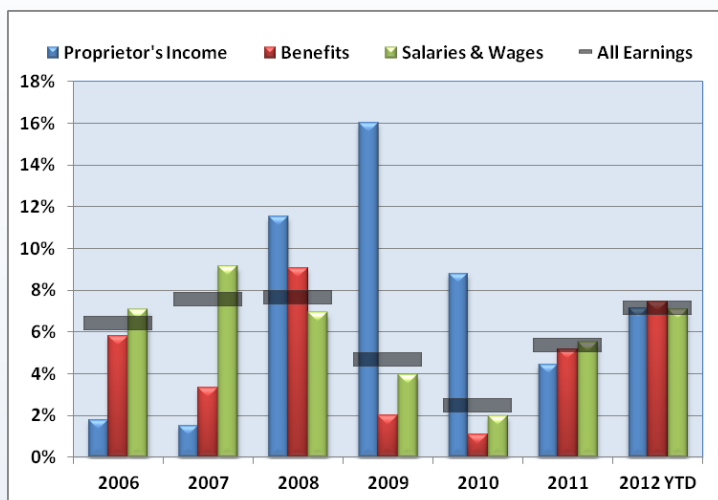
Historical Share

Although Virginia's HC&SA sector grabbed a significant share of private earnings through the recession, long-term moves have been less striking. The HC&SA sectors share of private earnings declined in the later half of the 1990s before reaching a trough of 8.36% in Q1 2001. By Q1 2012, however, the HC&SA sector was the second largest private industry in Virginia, assisted in no small measure by the decline in the importance of manufacturing to Virginia's economy.

Rank	Q1 1992		Q1 2002		Q1 2012	
	Industry	Share of Private Earnings	Industry	Share of Private Earnings	Industry	Share of Private Earnings
1	Manufacturing	17.36%	Professional, Scientific & Technical Services	16.93%	Professional, Scientific & Technical Services	24.58%
2	Professional, Scientific & Technical Services	12.43%	Manufacturing	11.13%	Health Care & Social Assistance	11.70%
3	Health Care & Social Assistance	10.26%	Health Care & Social Assistance	9.11%	Manufacturing	7.21%

Growth by Earnings Type

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



HC&SA earnings are distributed among proprietors (which includes practitioners in private practice), employee benefits and employee salaries & wages. Growth of each earning type tends to vary dramatically and can represent a growth in the number of workers, a growth in individual incomes, or some combination of both.

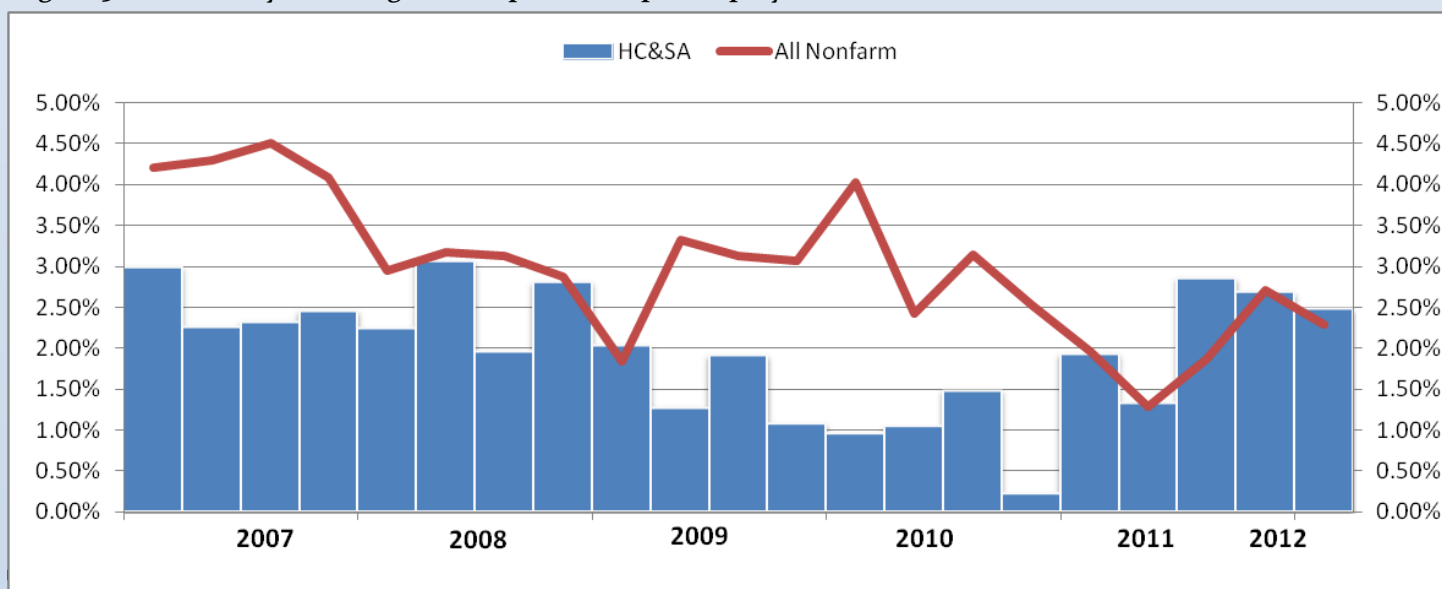
Prior to 2008, salaries & wages and employee benefits grew at the highest rate. From 2008 to 2010, proprietor's incomes grew the fastest, including a large 16% increase in 2009. Since then, growth has been more consistent across earning types. Note that the growth rate of all earnings tends to hover around the growth rate of salaries and wages. This is because salaries and wages make up the bulk of earnings in Virginia's HC&SA sector.

Earnings Type	Level (Millions)	Share
Proprietor's Income	\$2,402	10%
Benefits	\$3,713	15%
Salaries & Wages	\$18,434	75%
Total	\$24,549	100%

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 \$56,996 (annualized) in Q1 2012. 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. Compensation per employee in the HC&SA sector rose by \$902.86 in Q1 2012 over the previous quarter. Year-over-year, compensation per employee is up 2.48% or \$1,377.55 per employee. Year-over-year growth rates in compensation per employee reached parity with overall nonfarm compensation per employee in 2011 after underperforming in previous years.

Figure 5: 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 are 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)

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.

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