



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 11

June 2014

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Highlights

- ◆ In addition to the new income and compensation estimates for Q1 2014, these results also include revised estimates from the Bureau of Economic Analysis (BEA) for Q1-Q4 2013.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$145 million to \$25.60 billion in Q1 2014. This increase represents a three-month annualized growth rate of 2.3%.
- ◆ Employee compensation in Virginia's HC&SA sector increased by \$96 million to \$23.24 billion in Q1 2014. This increase represents a three-month annualized growth rate of 1.7%.
- ◆ Compensation per employee in Virginia's HC&SA sector increased by \$174 to \$56,330 in Q1 2014. This increase represents a three-month annualized growth rate of 1.2%. Nationwide, compensation per employee in the HC&SA sector increased by \$242 to \$56,017 during the quarter.

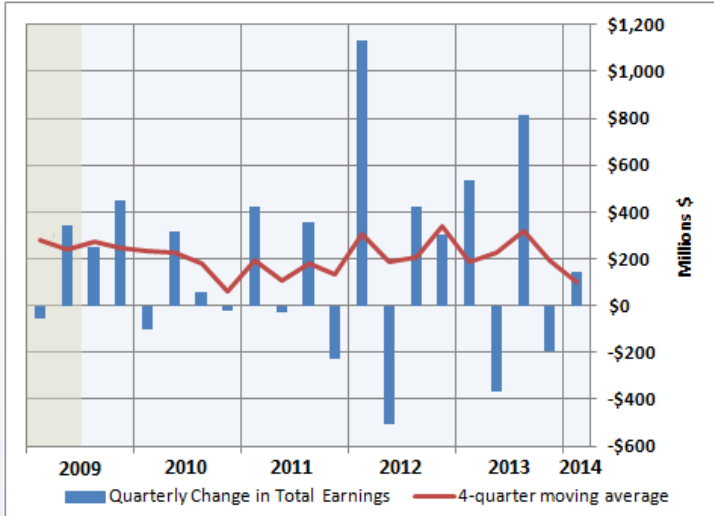
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q1 2013	Q3 2013	Q4 2013	Q1 2014	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$288,020	\$287,802	\$288,362	\$290,904	1.0%	2.2%	3.6%
National	\$10,025,583	\$10,195,181	\$10,270,262	\$10,349,799	3.2%	3.1%	3.1%
Health Care & Social Assistance Earnings							
Virginia	\$25,197	\$25,646	\$25,451	\$25,596	1.6%	-0.4%	2.3%
National	\$1,102,050	\$1,121,548	\$1,125,750	\$1,130,856	2.6%	1.7%	1.8%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$22,958	\$23,360	\$23,142	\$23,238	1.2%	-1.0%	1.7%
National	\$979,689	\$996,660	\$999,567	\$1,002,031	2.3%	1.1%	1.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$56,663	\$56,994	\$56,156	\$56,330	-0.6%	-2.3%	1.2%
National	\$55,644	\$56,130	\$55,775	\$56,017	0.7%	-0.4%	1.7%

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.



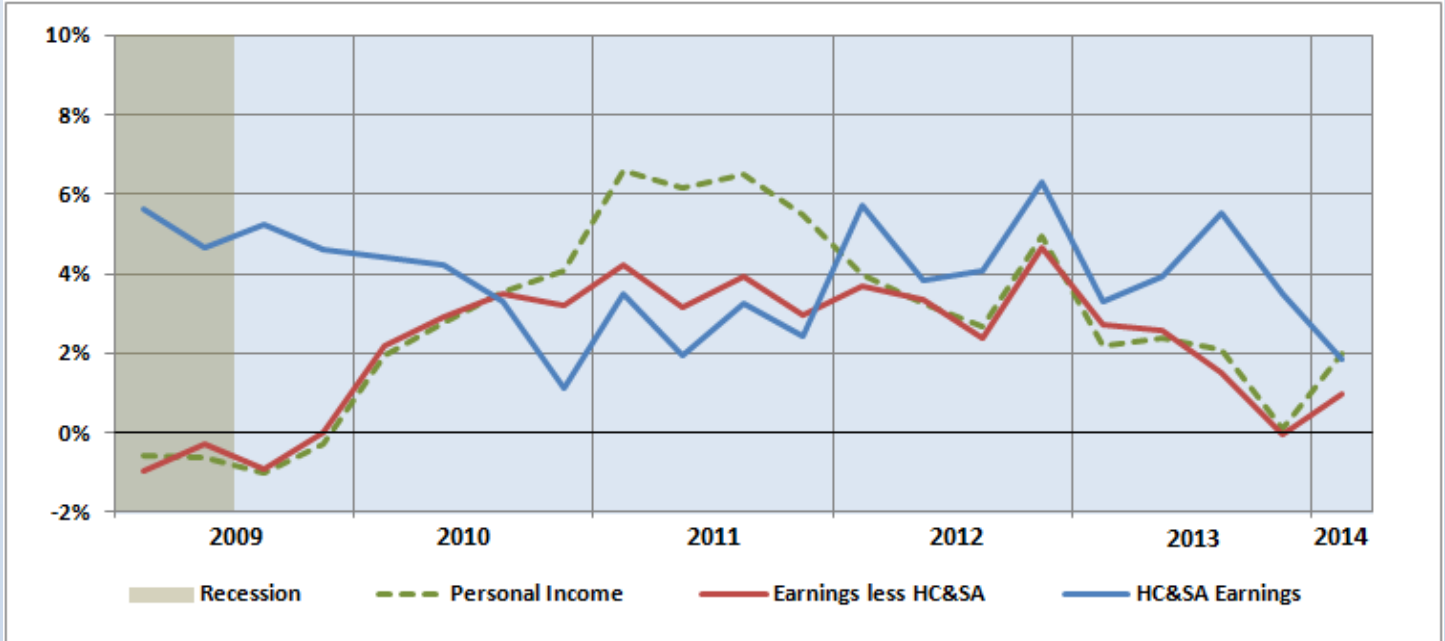
According to data released on June 24, 2014 by the U.S. Bureau of Economic Analysis, earnings in Virginia's HC&SA sector increased by \$145 million during Q1 2014 to \$25.60 billion. However, the preliminary estimate of Virginia's HC&SA earnings for Q4 2013 was revised downward by \$480 million to \$25.45 billion. With this revision, earnings in Virginia's HC&SA sector fell by \$195 million during the last quarter of 2013.

Given the relatively modest increase to HC&SA earnings in Q1 2014 coupled with the considerable downward revision to HC&SA earnings in Q4 2013, the four-quarter moving average of the level change in Virginia's HC&SA earnings fell to \$100 million, reaching its lowest value in four years. In fact, the four-quarter moving average of the level change in Virginia's HC&SA earnings has fallen by 69% over the past two quarters.

Virginia HC&SA Earnings Growth Rate

During Q1 2014, the four-quarter moving average of the HC&SA earnings growth rate declined by nearly half from 3.5% to 1.9%. At the same time, the four-quarter moving average of the growth rate in personal income experienced a significant jump during the quarter, increasing from 0.1% to 2.0%. With this increase, the four-quarter moving average of the growth rate in personal income now exceeds the corresponding rate for HC&SA earnings for the first time in three years. Meanwhile, the four-quarter moving average of the growth rate in non-HC&SA earnings, which dipped into negative territory in Q4 2013, also saw a rebound in Q1 2014, although its increase was somewhat more modest, with the moving average reaching 1.0% during the quarter. Regardless, the four-quarter moving averages of the growth rate in HC&SA earnings, non-HC&SA earnings and personal income have all been trending downward over the past two years.

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



Virginia HC&SA Earnings Growth Rate by Earnings Type

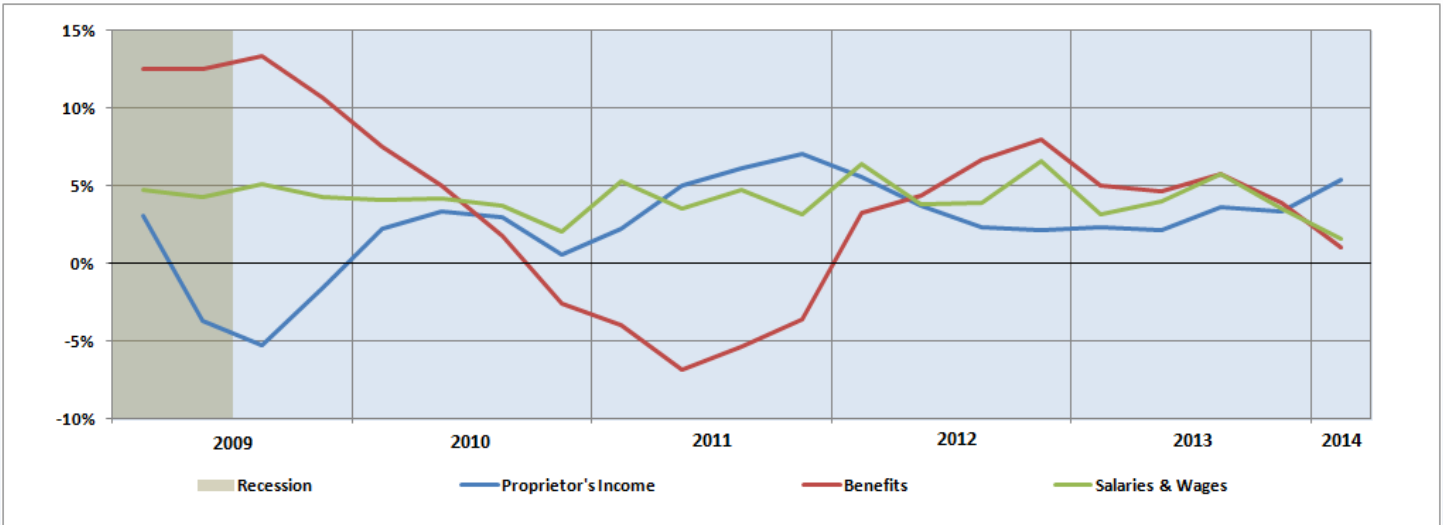


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

During Q4 2013, the four-quarter moving averages of the growth rate in proprietor's income, benefits, and salaries & wages were roughly equal, but they were trending in different directions. Whereas proprietor's income has generally been growing at a faster rate over the past year, employee compensation in the form of salaries, wages and benefits has experienced declining growth, a process that continued unabated during Q1 2014. The four-quarter moving average of the growth rate in proprietor's income increased from 3.4% to 5.3% during the quarter, reaching its highest value since Q1 2012. Meanwhile, the four-quarter moving average of the growth rate in employee salaries & wages declined from 3.5% to 1.6%, and the corresponding moving average for employee benefits fell from 3.9% to 1.0%.

Annual Growth by Earnings Type

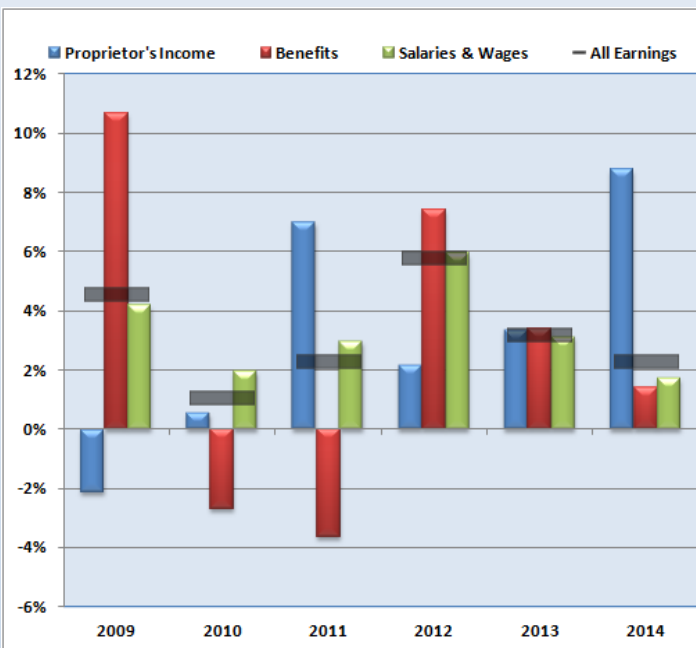


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

During the first quarter of 2014, HC&SA earnings in Virginia grew at a 2.3% annualized rate. This growth rate represents a slowdown relative to the previous year, when HC&SA earnings grew by 3.2%.

The slowdown in HC&SA earnings growth has been driven by a decline in the growth rate of employee compensation. Employee salaries & wages grew at a 1.7% annualized rate in Q1 2014, while employee benefits grew at a 1.4% annualized rate during the quarter. By way of comparison, both types of employee compensation grew at more than 3% in 2013.

While employee compensation growth has slowed, proprietor's income has experienced a surge in growth. In Q1 2014, proprietor's income grew at a 8.8% annualized rate. This represents the fastest annualized growth rate for proprietor's income since 2008, when proprietor's income grew by 14.3% during the year.

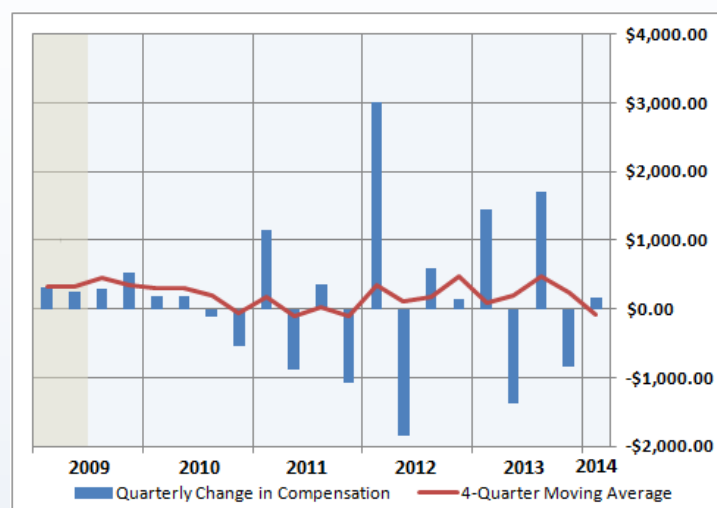
Earnings	Level	Share
Proprietor's Income	2,358	9.2%
Benefits	3,797	14.8%
Salaries &	19,441	76.0%
Total	25,596	100%

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 \$56,330 (annualized) in Q1 2014. 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 2014, compensation per employee in Virginia's HC&SA sector increased by \$173.72. Despite this increase, however, the four-quarter moving average in the level change of HC&SA compensation per employee in Virginia declined to -\$83.28, which represents the first time in more than two years in which this moving average fell into negative territory. The four-quarter moving average of the level change in HC&SA compensation per employee has seen a precipitous decline since Q3 2013, when this average reached an eight-year high of \$479.27.

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

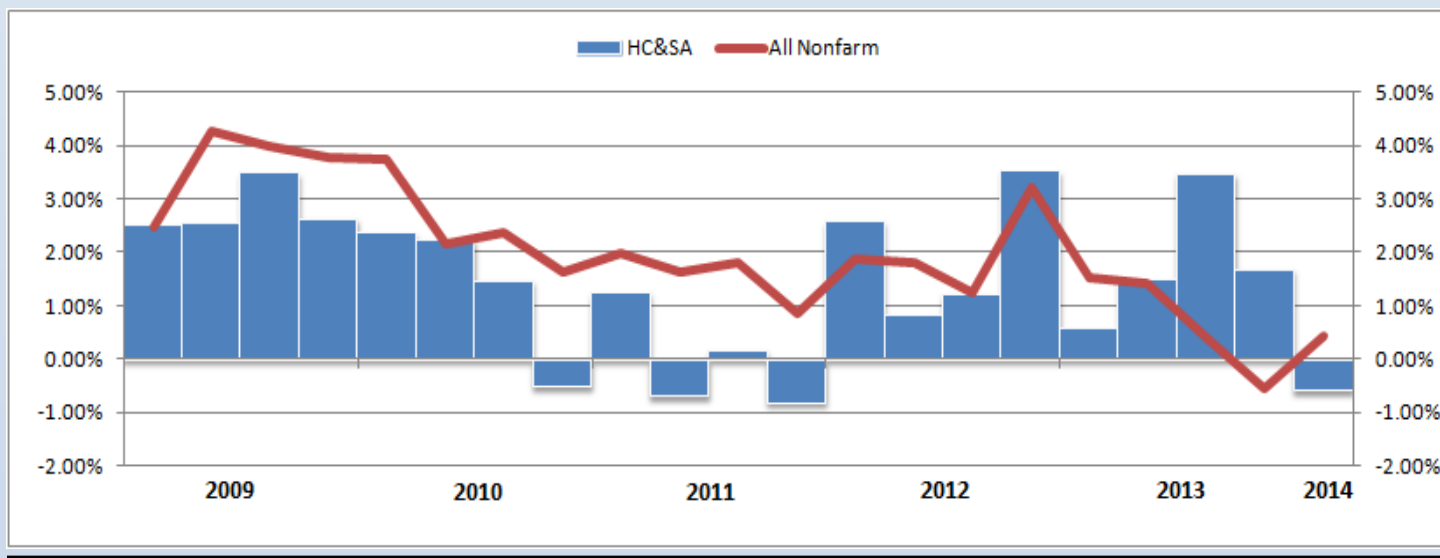


	Q1 2002	Q1 2006	Q1 2010	Q1 2014
Compensation per Employee	\$40,912	\$49,024	\$54,236	\$56,330

Compensation per Employee Growth Rate

In Q4 2013, the year-over-year change in compensation per employee for Virginia's total nonfarm payroll dipped below 0% for the first time in more than a decade, continuing a downward trend in the growth rate that began in Q4 2012. However, the year-over-year change in compensation per employee for Virginia's total nonfarm payroll was able to rebound in Q1 2014 from -0.6% to 0.5%. Furthermore, this represents the first time since Q1 2013 that the year-over-year change in compensation per employee in Virginia's total nonfarm payroll exceeded the corresponding change in HC&SA compensation per employee, which declined from 1.7% in Q4 2013 to -0.6% in Q1 2014. This represents the first time that the year-over-year change in HC&SA compensation per employee has turned negative since Q4 2011.

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)

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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