AVMA 2015 Report on the Market for Veterinarians

In 2011, the AVMA made a commitment to move beyond its traditional ad hoc workforce studies and establish an economics division with the charge of providing the best, unbiased estimates of the current situation in the veterinary workforce. The primary focus of this division’s research is to enhance the value of the veterinary degree.

The annual AVMA Report on the Market for Veterinarians is a critical component of a continuous process and the fourth in a series of six annual reports in our 2015 AVMA Economic Reports series.

This summary of the AVMA Report on the Market for Veterinarians will explore the following topics:

- Compensation and trends in veterinary medicine
- Demand for new veterinarians
- Supply of labor
- Forecast of the market for veterinarians

The market for veterinarians consists of two inter-related elements: the demand for veterinarians and the number of veterinarians available and willing to provide their labor. In a perfect scenario, the amount of labor veterinarians are willing to provide would be just enough to meet the demands society has placed upon them. Too much of either one – supply of veterinary labor or the demand for that labor – would put the system out of balance.

A perfect marketplace scenario of any kind is difficult to come by, however, and this 2015 AVMA Report on the Market for Veterinarians attempts to detail and explain the current market based on the latest data and information from a variety of sources. It takes into account a complex set of horizontally related veterinary markets that include practitioners across a wide spectrum of species, as well as those in public health, industry and academia. We also explore such topics as compensation, the supply of labor, veterinarians’ satisfaction with their current employment and what the future may hold in terms of the market for veterinarians.

While the 2014 AVMA Workforce Study indicated that there is excess capacity in the veterinary workforce, that doesn’t mean that there are too many veterinarians in the marketplace today. Excess capacity means that a certain percentage of veterinarians’ capacity to provide services was going unused.
This report expands upon some of the findings in the 2014 AVMA Workforce Study and reinforces our position that there are not too many veterinarians in the veterinary workforce. The supply-demand balance in the market for veterinarians depends on the market for veterinary education and the market for veterinary services. And while some critics maintain that there is a need for a reduction in the supply of veterinarians, we maintain that no such reduction is necessary based on marketplace analyses. Demand does indeed exceed supply in veterinary education, where those applying for veterinary school outnumber available seats and where the number of veterinarians entering the workforce is equal to the number of seats that were available four years prior.

This report takes a broader look at the market for veterinarians. To understand the market for veterinarians requires an understanding of each of the independent but horizontally related markets and all the factors that affect those markets, including demographic characteristics of the markets, willingness of veterinary employers to pay for veterinary labor, the willingness of veterinarians to sell their labor and the number of veterinarians in the market.

The historic relationship between the number of new veterinarians entering the workforce and mean starting salary is not readily apparent. This demand relationship should reveal that as the number of new veterinarians increases, their average starting salaries decrease, with the reverse also being true. However, our findings indicate that starting salaries increased during the 2001 to 2008 timeframe, declined over the 2008-2012 period and then remained flat for the period since 2012, while the number of new veterinary practitioners increased throughout the entire time period.

Starting salaries for companion animal exclusive practitioners, the largest segment of the market for veterinarians, increased during the 2001-2008 period, while the number of new veterinarians entering this market remained relatively flat. When the number of new companion animal exclusive veterinarians declined over the 2008-2012 period, starting salaries also declined. Finally, as the number of new graduates entering companion animal exclusive practice increased from 2012 to 2014, starting salaries also increased.

The demand for companion animal exclusive practitioners depends on the demand for services from pet owners, and their demand depends on their level of income. As pet owners’ incomes rise, their demand for veterinary services rises. As a consequence, the demand for veterinarians will rise, leading to an increasing willingness on the part of employers to offer higher salaries to obtain the services of a new veterinarian. This elastic demand suggests that the addition of new veterinarians to the companion animal exclusive practice has very little impact on starting salaries, while the income of pet owners has a very large impact. Thus, as a result of a projected improving economy and our forecast of a continued increase in the number of new veterinarians entering companion animal exclusive practice through 2019, with no annual increase after that, we project that mean starting salaries will see a steady increase to roughly $84,000 in 2020, reaching a high just shy of $94,000 in 2024.
Other findings related to income include:

- While the demand for food animal veterinary services is not directly related to consumers’ disposable income, the demand for animal protein in the U.S. markets ensures a robust demand for food animal veterinarians. We estimate that starting salaries in the food animal predominant sector will increase steadily to roughly $80,000 in 2020 to just over $87,000 in 2024.
- We estimate that mean starting salaries for mixed-practice veterinarians will steadily increase to roughly $78,000 in 2020 to more than $86,000 in 2024.
- In the equine field, we estimate that starting salaries will increase steadily to roughly $48,000 in 2020 to around $52,000 in 2024.
- In uniformed services, we estimate that starting salaries will steadily increase to roughly $77,000 in 2020 to about $81,000 in 2024.

When it comes to the supply of veterinary labor, it is important to understand that supply is the relationship between the physical number of veterinarians available and the level of compensation they are willing to accept to provide their professional services. In a market with rational decision-makers, no veterinarian would provide services for a level of compensation for less than they are willing to sell those services. However, as in any market, veterinarians would gladly accept compensation in excess of the amount they are willing to sell their services. A true measure of supply would provide the relationship between the number of veterinarians and the levels of compensation they are willing to accept.

While the average new veterinarian family (1-5 years post graduate) earns slightly more than the average U.S. family in the 80th percentile of U.S. households, differences in spending do occur between the two groups. While expenditures in areas such as housing, food, clothing, and savings and retirement are very similar, differences in federal and state deductions, car and transportation expenses, and recreation and leisure expenses occur. One other important difference also exists: veterinary families have a much higher tax burden that is likely attributable to the loss of the home interest deduction because most new veterinarians reported renting, while most U.S. households at the 80th percentile reported owning a home.

This information points to less financial stress among general U.S. households as a result of the larger remaining balance of disposable income and greater expenditures on recreation and leisure when compared to the new veterinary household. This situation does improve over time, however. Following the typical earnings path of veterinarians, at age 48 they will have higher incomes and be in the 90th percentile of U.S. households. The additional income they earn during this period would enable them to purchase a home and reduce federal and state tax liabilities. It will also allow them to free up more of their gross income for entertainment and recreation, for better transportation or to increase retirement contributions.

The point of this spending exposé is to determine the cost or willingness of veterinarians to sell their labor. The profession’s very low unemployment rate suggests that the salaries offered are sufficient to meet veterinarians’ willingness to sell their labor. In addition,
information from the AVMA’s Employment Survey indicates that a very large number of veterinarians desire to work fewer hours for less compensation, which suggests the existence of a backward-bending supply curve.

When it comes to the overall demand and supply of veterinary labor, the important question to answer pertains to veterinarians’ willingness to provide hours of labor at specific levels of compensation. A plausible argument might be that, because of veterinarians’ limited ability to use their DVM for other employment opportunities with similar compensation, they are forced to accept employment out of the need to repay the high costs of their education, and thus the level of compensation does not correctly reflect their willingness to sell their labor for their current level of compensation. That is, they are taking what they can get but are not satisfied with what they are earning.

An analysis of the respondents to both the 2014 AVMA Employment Survey and the 2014 AVMA Compensation Survey found a large and statistically significant relationship between income and job satisfaction. Generally, the majority of respondents were at least somewhat satisfied with their current employment, while the largest number of respondents indicated they were satisfied; the next largest group was those indicating they were very satisfied with their current employment. There is a clear relationship between the level of income and satisfaction. This is important, especially to pre-veterinary and veterinary students and new veterinarians who may harbor the belief that compensation is unimportant as long as they are “doing what they love to do.” While this data certainly suggests that outlook may be true for some, generally this is not the case.

Relative scarcity of labor represents the supply and demand for that labor. As relative scarcity increases, the ratio of available employment opportunities to potential employees increases. Increasing scarcity is associated with wage increase. The relative scarcity-wage relationship in the market for veterinarians is in line with the scarcity-wage relationship developed from the major U.S. occupational categories.

As the relationship between compensation and number of hours of labor available defines the supply relationship in the market for veterinarians, understanding the factors that affect the willingness of veterinarians to supply labor is important in determining the number of veterinarians needed to meet the demands for veterinary services.

An interesting finding involves the differences in the elasticities of supply for labor between veterinary markets. Elasticity is the relationship between a change in the quantity of labor supplied to a change in compensation. In each of the markets for new veterinarians, the elasticity for the supply of labor, where it can be estimated, is highly elastic. In contrast, in the two markets for current veterinarians where the elasticity of the supply for labor can be estimated, the elasticities are rigid. In other words, it appears that new graduates are very flexible and tailor the choice of their first post-graduate position according to starting salaries. On the other hand, once a veterinarian has started down a particular career path, they appear to become inflexible or unable to switch to another area of veterinary medicine even when signaled to by a large disparity in salaries. Further research is needed to determine if veterinarians are slow to receive market information,
are unable to recognize the great disparity in wages between markets, or the disparity in wages is not sufficient to induce movement from one market to another.

The next annual report in the 2015 AVMA Economic Reports series, the AVMA Report on Veterinary Capacity, will be published in September. If you’re an AVMA member and are interested in subscribing to the report series at a reduced member rate, please visit the AVMA Store. Otherwise, keep an eye on our web page, our social media outlets and our AVMA@Work blog for other economic updates and summaries like this one.