



## **AVMA 2015 Report on Veterinary Markets summary**

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 Veterinary Markets** is a critical component of a continuous process and the first in a series of six annual reports in our 2015 AVMA Economic Reports series. Better information on veterinary markets will enhance the profession's ability to develop strategies to improve the efficiency of the markets and assist in attempts to reach desired market outcomes.

This summary of the **AVMA Report on Veterinary Markets** will explore the following topics:

- General Economic Conditions
- The Market for Veterinary Education
- The Market for Veterinarians
- The Market for Veterinary Services
- Workforce Capacity Utilization

The outlook for both the near and long term is improving for the veterinary profession, as the recession that began in December of 2007 continues to fade and the U.S. economy begins to return to the longer-term growth trend. To the extent that the demand for veterinary services is linked to consumers' disposable income, the projected increase in the growth in GDP of 3.4% for the next two years should improve the financial picture of veterinary practices. However, there may continue to be areas and practices that are not greatly impacted by the rising GDP, while others see tremendous improvement.

The veterinary education market is at or very near equilibrium. The demand for veterinary education and the supply of available seats have been cyclical over the past six decades, leading to large changes in the number of applicants versus available seats. The historic pattern of the applicants-to-freshman ratio is important to consider in putting any meaning to the current trend. In their report on the status of veterinary manpower, the Joint Committee on Veterinary Education indicated that, from 1950-1964, this ratio varied between 1.9:1 and 2.9:1, but they were unable to control for multiple applications from single applicants. Current data suggest that the applicant-to-freshman ratio has

cycled twice between 1980 and 2014 and that we are currently in a down cycle with that ratio at 1.64:1 today. As long as the eligible applicant-to-available-seat ratio remains above 1 and these eligible applicants are willing to pay the price per seat at which the colleges are willing to sell those seats, the supply of new veterinarians will remain equivalent to the number of available seats.

While the applicant-to-freshman ratio has cycled, the demand for education has historically exceeded the supply. As a result, any cost increases faced by the institutions supplying veterinary education can be passed on to those who seek that education. In addition, the availability of federally sponsored education loans has provided the financial resources to enable those who seek the education to be able to pay for it. The cost of veterinary education is forecast to rise at rates that exceed the rate of increase in veterinary compensation, thereby reducing the demand for veterinary education; and at some point the higher priced seats will likely be left vacant.

Veterinarians may receive high levels of intangible benefits from the practice of veterinary medicine, but these intangible benefits are not infinite, and at some point, as the education costs outpace compensation, the negative return to veterinary education will become large enough to reduce the applicant pool.

Although the market for veterinary education appears to be in equilibrium, the market for veterinarians is not. The level of compensation that would be needed to assist new veterinarians in obtaining a positive return on their educational investment would require more than a reduction in the number of new veterinarians. As a result, the concept of “too many veterinarians” becomes complex. Low unemployment figures, a negative underemployment rate and the increasing number of veterinary practices that indicate they are working at full capacity all suggest that veterinary employers do not feel there are “too many veterinarians.” The increasing number of new veterinarians is being absorbed into the profession faster than the growth in demand for their services. This is reflected in the flat trend in real incomes that began during the last recession and the increasing distribution of existing veterinarians at the lower end of compensation.

The negative level of underemployment suggests that there is still room to absorb new veterinarians but at a level of compensation that often does not provide positive returns on the educational investment.

The lower earning potential for female DVMs compared with that of men in bachelor’s and master’s degree programs may well be a reflection of the growing percentage of women entering veterinary medicine. Across the board, women veterinarians indicate that they would like to work less rather than more. On the other hand, men indicate that they want to work more rather than less. This ratio, for men, does not change until 10 years post graduate. The combination of these two events produces a situation in which the average veterinarian is willing to work less hours for lower annual compensation. This, in turn, leads to a lower number of veterinary services being provided per veterinarian and likely offsets, at least partially, the increase in the rate of growth of new veterinarians.

No evidence currently exists for any further expansion in the number of seats for veterinary education, and as a result we forecast constant class sizes of new veterinarians from 2018-2025. The growth in the U.S. population suggests continued growth in the number of pets and the demand for veterinary services over the same period. In light of this growing demand for veterinary services, the flat growth rate of new veterinarians and the declining number of services per veterinary FTE resulting from an increasing percentage of women in the profession, excess capacity declines over the entire period, reaching a low of 6% by 2025.

Excess capacity is a precise concept – the ability to provide services in excess of the quantity of services demanded at a specific price. Excess capacity has three components: the ability to provide services (potential supply), the quantity demanded and price. And thus we need to look at strategies around each of these to determine how to manage excess capacity to an optimum level.

*The next annual report in the 2015 AVMA Economic Reports series, the **AVMA Report on Veterinary Employment**, will be published in February. 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.*