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Are rising veterinary salaries driving up the cost of care?

The AVMA econ team decided to find out—and discovered that mean salaries are actually dropping. So the answer to that question? No, they are not.



Mar 19, 2018

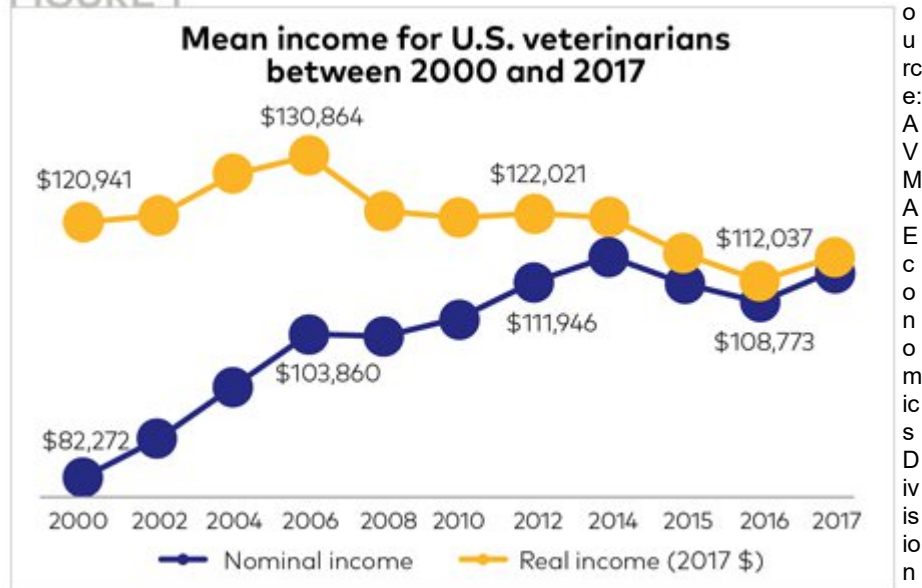
By [Fred Ouedraogo, PhD](#), [Michael Dicks, PhD](#)
DVM360 MAGAZINE

If you've ever wondered if veterinary hospitals have to charge ever-higher prices for services in order to keep paying their doctors, you're not alone. We wondered the same thing.

The number of pets in the U.S. continues to increase while visits to the veterinarian are down, and statistics from the Bureau of Labor show that veterinary prices have been rising faster than inflation for the last two decades. But what's actually causing those prices to rise? To find out, we examined the potential impact of multiple factors, including the demographics of today's veterinarians, veterinary income trends and practice ownership.

As a starting point to our analysis, we examined two decades' worth of veterinary compensation data and found that while mean veterinary compensation has been rising, when inflation is accounted for, veterinary compensation has actually been dropping. Specifically, we found that the real mean income of U.S. veterinarians increased between 2000 and 2006 at an annual rate of 3 percent, but after that it fell drastically—from \$130,864 in 2006 to approximately \$112,000 in 2016 (Figure 1).

FIGURE 1



Dynamics of the U.S. veterinary population

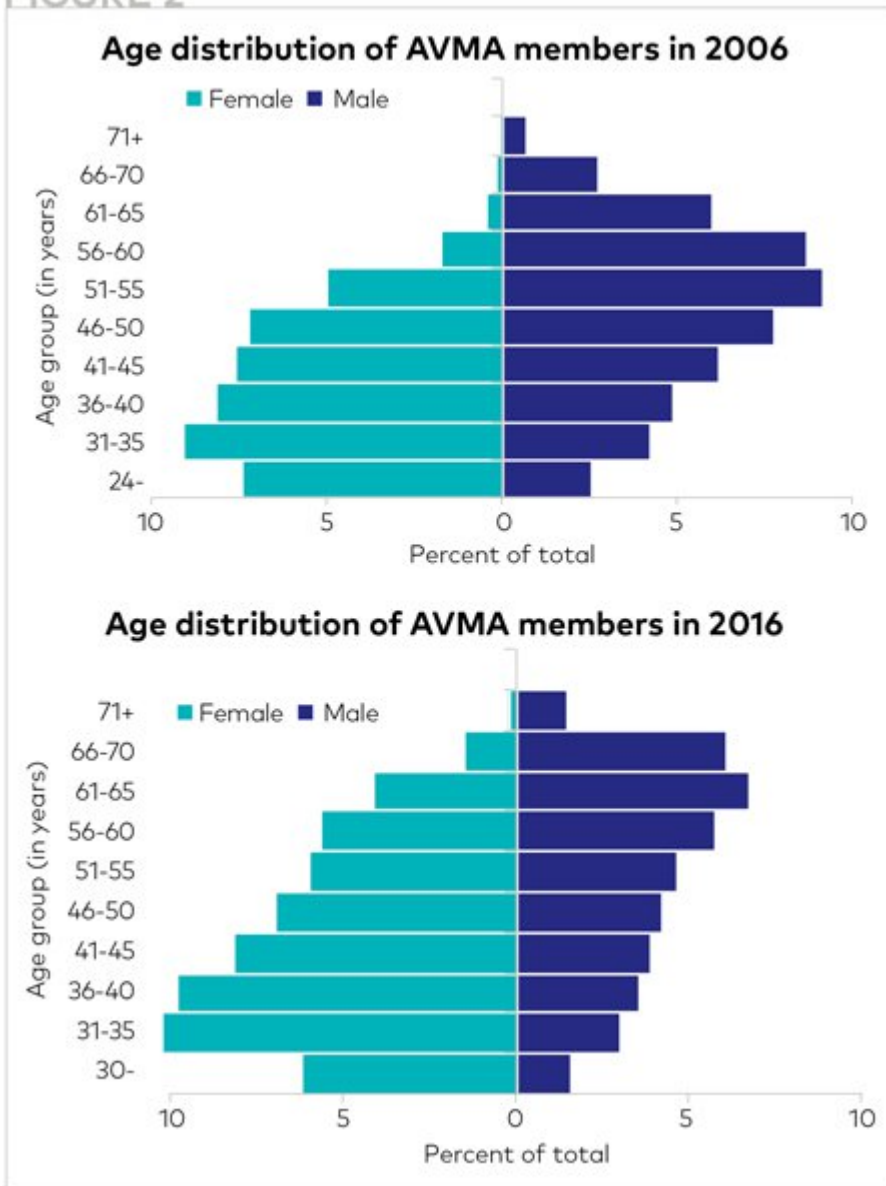
One reason for this may be that younger veterinarians are entering the profession faster than more experienced veterinarians are retiring. Since newer veterinarians start out with an average salary below \$80,000 and are replacing veterinarians who

usually earn more than \$130,000, we see lower income averages across the profession.

In addition, the gender profile for U.S. veterinarians is changing (Figure 2). In 2006, the mean age for men fell somewhere between 41 and 65. By 2016, this number had shifted dramatically, with the majority of male veterinarians above 56 years of age. For women, the age distribution has moved in the opposite direction—and the percentage of new veterinarians who are female continues to grow. Because women’s mean income has historically been less than their male counterparts’, the increasing portion of women also puts downward pressure on mean incomes for the profession.

FIGURE 2

Source: AVMA Economic Division



Change in age distribution and income trends

In all professions, a positive relationship exists between age and earnings, in that income increases rapidly with age until a person is about 45 to 50 years old. Income then slows and eventually declines. The resulting age-earning profile looks like an inverted U-shape.

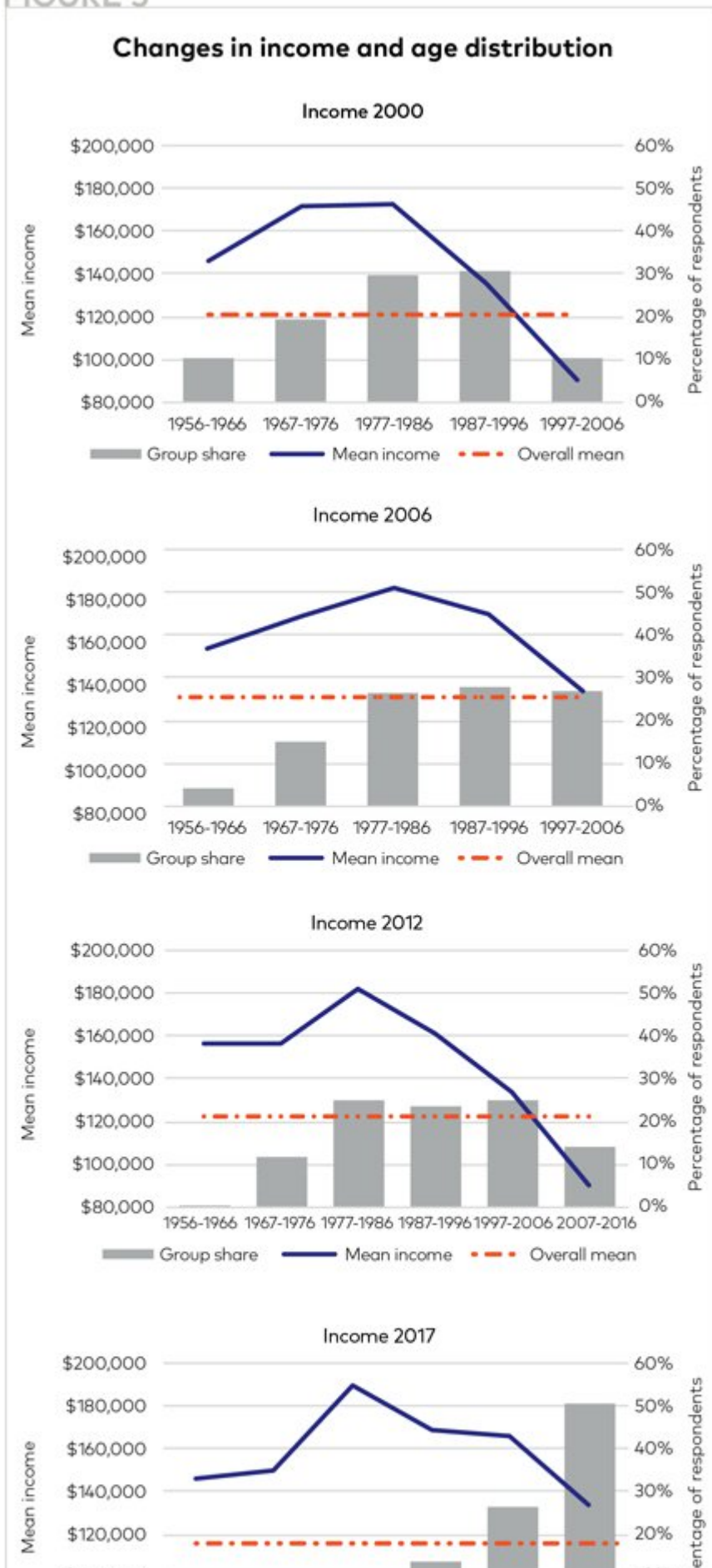
Using year of graduation as a proxy for age, Figure 3 shows the impact of generational differences on the mean income of the entire veterinary profession. In 2000, our research shows, the majority of veterinarians were part of the silent generation or were baby boomers, with the former having the highest mean income. At that time, the mean income for the entire profession was around \$120,000.

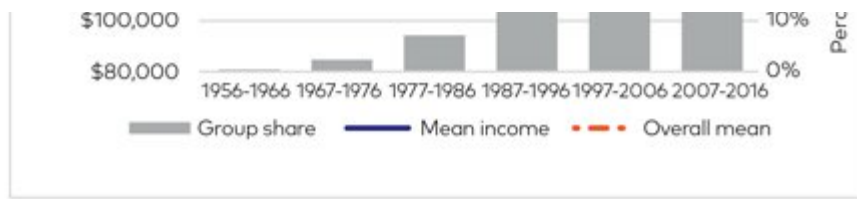
However, in 2006, the silents began to retire and their mean income fell, while the boomers became the largest group and reported the highest mean income. A decade

later, in 2017, with the silents mostly retired, the boomers are now the ones retiring at a high rate and the Generation X group has reached its peak earning potential. Unfortunately, Generation X represents a small portion of the total population, and the lower-earning millennials are the largest group. Hence, the overall mean income has fallen below \$120,000.

Source: AVMA Economics Division

FIGURE 3





The age-earning profile continues to be shaped like an inverted U-shape, except it is currently thin at the top and broad at the bottom.

A look at new grads

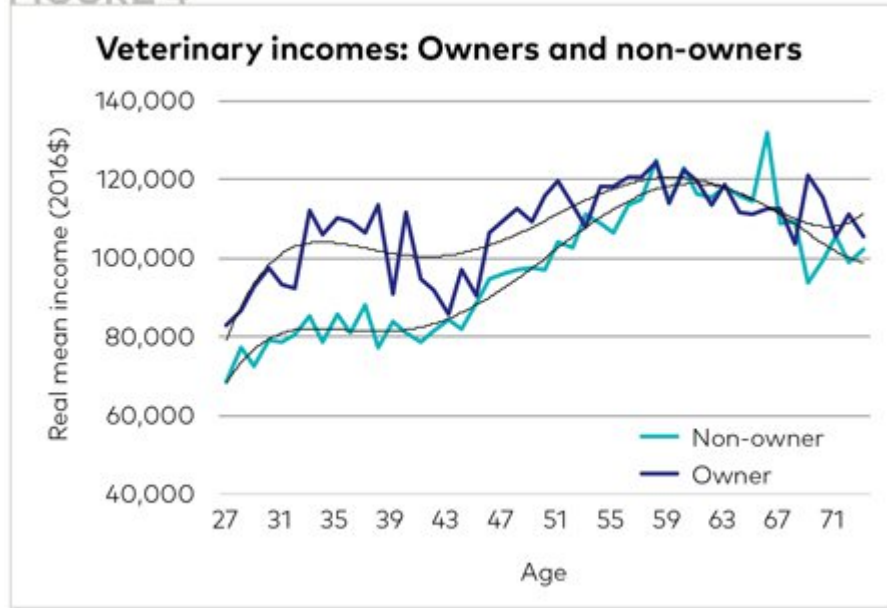
According to the Association of American Veterinary Medical Colleges (AAVMC), about 3,550 new graduates entered the veterinary profession each year from 2014 to 2017. That number will increase slightly as a total of 3,838 new veterinarians are predicted to graduate in 2019 from AAVMC-member institutions. Meanwhile, an estimated 1,000 to 1,800 veterinarians retired from the veterinary profession each year during the same period.

With more than 3,500 young veterinarians entering the profession each year and only about 1,500 retiring, there is a possibility that the mean industry income will continue to decline as the number of new graduates outpaces the number of retirees. Looking ahead, the rate of retirement between 2020 and 2030 is projected to increase to more than 2,500 veterinarians each year, helping to close the gap between the number of graduates and retirees.

Changes in ownership

Another factor to consider is practice ownership. Past studies have found a strong positive relationship between practice ownership and professional income (Figure 4). Statistics indicate that the likelihood of practice ownership increases with the number of years since graduation. More than 70 percent of veterinarians who graduated between 1970 and 1979 are currently practice owners. Compare that to veterinarians who graduated between 2010 and 2015 and the total drops to 6 percent (Figure 5).

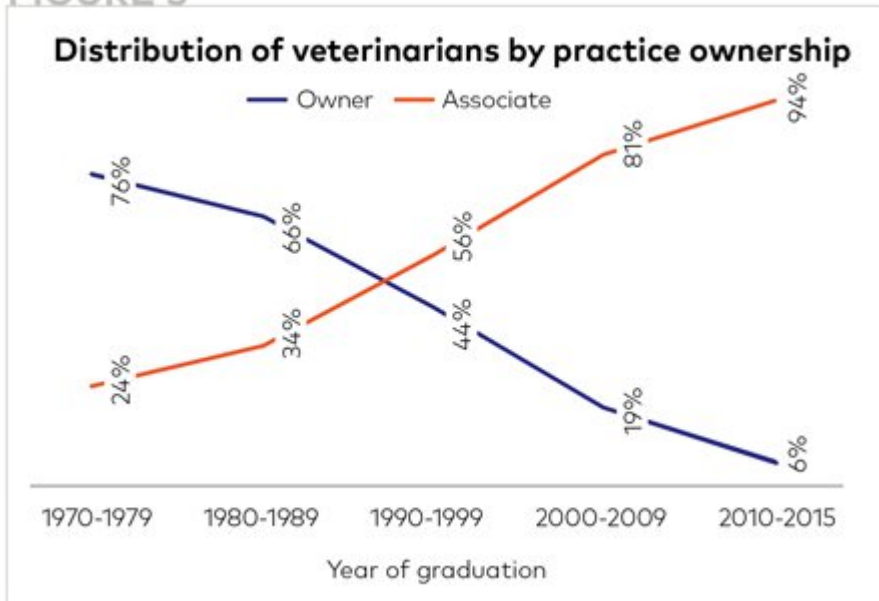
FIGURE 4



Source: AVMA Economic Division

Source: AVMA Economic Division

FIGURE 5



Even more important is that new graduates are waiting longer to purchase a practice. If the proportion of associate veterinarians in the profession increases and the proportion of practice owners declines, overall mean income will most likely also go down.

The bottom line

Multiple factors contribute to real mean incomes for veterinarians, including changing demographics, a profession with fewer practice owners, and historical income trends. We now understand that when we account for inflation, veterinary incomes have actually been declining for two decades. With veterinary prices rising faster than

inflation in that same period, it seems clear that veterinary labor is not the source of the rising cost of care for the profession. For that, we'll have to keep looking.

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