



WVCBP: Serious challenges ahead for WV economy

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By Taylor Kuykendall, Reporter - [bio](#) | [email](#)

A new report points out troubling trends and figures on the state's economy — trends that could be even further perpetuated by policy inaction.

The West Virginia Center on Budget and Policy released its State of Working West Virginia 2012 in honor of Labor Day weekend. The report highlights a number of deficiencies in the West Virginia economy and looks at potential solutions.



"We hear so much about the business climate for West Virginia," said Rick Wilson, director of the American Friends Service Committee. "We think it's time in this report to ask about the climate for working people. They are the engines that drive the economy and keep the state going. Without them, nothing moves."

Wilson wrote the introduction of the report.

The publication cautions that improving the well-being of working families — a vital piece of a thriving economy — "will not be easy nor happen without effort."

"As the effects of the recession on West Virginia continue to fade, many challenges persist for the state, now and into the future," explained Sean O'Leary, a policy analyst with the West Virginia Center on Budget and Policy and co-author of the report. "High unemployment, an aging and unhealthy work force and a changing economy all need to be addressed in order to secure future prosperity for the people of West Virginia."

The problem with the economy

The state faces a number of challenges outlined by the report. While jobs briefly topped pre-recession levels, the majority of jobs are found in the public, service and transportation sectors.

The recent recession, the authors of the report state, is a driver of current strife, but is also compounded by longer-term trends. About 27,000 jobs would need to be added to return to pre-recession levels.

"Workers in West Virginia are certainly struggling because of the recession, but a lot of their struggles are also a part of longer term trends," O'Leary said. "Just because the recession is over and we see the recovery, doesn't mean these long term trends are going away and they certainly need to be addressed in the future."

More than industry or natural resources, the report states, the state's people is the most important resource available.

"By virtue of their labor and spending, they are arguably our real wealth and job creators," the report states. "And, unlike the gas, oil and coal that lie beneath our soil, they can and do move all by themselves, often heading for better opportunities elsewhere when these are not to be found in the Mountain State."

Wages appear to be falling while disparity between high and low earners is increasing. The gender gap in pay equality in West Virginia is still significant, the report states and lower wages are stretching across a number of industries.

The report found that unemployment rates remain elevated, young workers are increasingly facing high unemployment and long-term employment is rising.

"Younger workers between the ages of 16 and 24 are especially hard hit by unemployment," the report states. "Although they make up less than 15 percent of the work force, they comprise a third of the unemployed. Unemployment rates are also higher than average for men, African-Americans of both sexes, and for those with low levels of educational attainment."

West Virginia has one of the oldest and least educated work forces in the nation.

"Unless we can attract and retain working families, we are headed for an economic disaster," the report warns. The population as a whole is increasingly aging and younger workers struggle to get work.

"That's a part of the population that has a lot of needs. They need health care, they aren't working, they aren't contributing to the economy the way the rest of the demographic of the economy is," O'Leary said.

In addition to fewer jobs being available, the quality of the jobs to be found also seems to be lowered.

"When viewed over several decades, job quality has declined in terms of work-related benefits," the

report states. "Less than half of state workers are covered by employer-provided pensions and only slightly over half receive employer-provided health insurance. Meanwhile, inflation-adjusted median wages declined between 2010 and 2011 and were over a dollar an hour below the national average, even though low-wage West Virginia workers are better educated than in the past."

That loss of quality, O'Leary said, is at least as troubling as the number of jobs available.

"It makes it harder for families to adjust for costs, to buy health care or save for retirement," O'Leary said. "It's one thing to get the jobs number back to pre-recession levels. It's another to get those jobs back to the quality of what they were in the past."

Resource-driven demographic shift

One of the major concerns about the West Virginia economy is a sharp decline in the coal market. At the same time, the state is seeing a boom in natural gas production.

"The state's coal economy is diminishing because of market competition from cheap and abundant natural gas and Western coal, and from the exhaustion of many of the state's thicker coal seams," the report states. "Future federal regulations of greenhouse gases and mercury could also play a role in reducing demand for Central Appalachian coal."

The report emphasizes that the decline in coal is inevitable — greenhouse gas regulations aside.

"There's just a structural decline southern West Virginia and Appalachia," Boettner said. "You're not going to reverse it. The productivity has just dropped so much."

The jobs that do exist in coal mining, are by wage, benefits and other factors among the best in the state. The WVCBP warns that it is imperative to continue seeking alternatives to the coal-based, and thus boom and bust cycle associated with a mono-economy.

"How we're going to help workers transition is a big question that we have, and we're simply not facing it," Boettner said. "We could cushion the impact. It's not all or nothing, and it's not one thing that can solve the problem. We can start having a frank conversation because if we don't things are going to start getting a whole lot worse."

With the current conversation about coal focusing mostly on reducing the burden of federal regulations and fighting the so-called "War on Coal," Boettner is wringing his hands over a lack of urgency to seek coal's economic replacement in southern West Virginia.

"We're looking at a huge decline in coal production in Appalachia," Boettner said. "It's got us a little nervous that nobody is talking about the future. ... If this is a coming crisis, why aren't we planning for it?"

Policy solutions

In the report, a number of policy-based solutions are presented. The reforms proffered were expanding Medicaid, a severance tax future fund, work-sharing reform, increasing minimum wage, issuing infrastructure bonds, restoring childcare cuts and creating a task force to analyze economic transition in the coalfields.

"The single biggest step we can take to improve our work force is to expand Medicaid under the Affordable Care Act," said Ted Boettner, executive director of the West Virginia Center on Budget and Policy and co-author of the report. "Not only will doing this provide health coverage to over 120,000 low-income workers, but it can help improve our state's low labor force participation rate."

No one solution, Boettner said is going to solve any of the economic troubles of West Virginia, he warned.

"I don't think there is a silver bullet for any of these problems," Boettner said. "People are going to vote with their feet."

Of particular interest to O'Leary is the idea of a work-sharing program that allows workers to reduce hours during an economic downturn instead of laying them off. Then, the lost hours can be made up by states from unemployment funds.

"Work-sharing can mitigate the threat of long-term unemployment and keep workers attached to the work force, while also allowing employers to keep their skilled employees while reducing turnover costs," the report states.

A severance tax future fund would take money from production of the Marcellus Shale and tuck it into a fund that could fuel future projects.

The full report is available online at the WVCBP website at <http://www.wvpolicy.org/>

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